



OHIO AUDITOR OF STATE  
**KEITH FABER**





**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2019**

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**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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 the Northmont City School District, Montgomery County, Ohio (the District), as of and for the fiscal year ended June 30, 2019, 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 the Northmont City School District, Montgomery County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, the *required budgetary comparison schedule* and *schedules of net pension 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 January 16, 2020, 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

January 16, 2020

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## Northmont City School District, Ohio

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2019*

*(Unaudited)*

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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, 2019. 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, 2019, the District's assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$1.5 million, which is an increase from the \$6.4 million deficit reported at the end of the prior year.
- For fiscal year 2019, the District's net position increased by \$7.9 million compared with the \$32.2 million increase in net position for fiscal year 2018. The large swing in the operating results of the District relates to pension and other post-employment benefit (OPEB) plans activity recorded annually.
- As of the close of the current fiscal year, the combined governmental fund balances of the District were \$33.4 million; which was an increase of \$1.9 million from the combined fund balance reported for the prior year. This increase was due to general fund revenue levels for the current year still able to cover expenditure levels.
- At the end of the current fiscal year, the unassigned fund balance for the general fund, the District's operating fund, was \$20.0 million or 35.5% 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

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2019*

*(Unaudited)*

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### **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, 2019, 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 Asset/Liability, the Schedule of the District's Contributions – OPEB Plans, and the notes to the required supplemental information.

## Northmont City School District, Ohio

Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2019

(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 2019 to 2018 follows:

**TABLE 1**  
**NET POSITION JUNE 30**

	2019	2018
<b>Assets:</b>		
Current and Other Assets	\$ 71,831,494	67,835,671
Net OPEB Asset	3,743,937	-
Capital Assets	88,372,005	89,538,379
Total Assets	163,947,436	157,374,050
<b>Deferred Outflows of Resources:</b>		
Deferred Charge on Refunding	1,121,536	1,159,554
Pension and OPEB	18,135,314	21,110,306
Total Deferred Outflows of Resources	19,256,850	22,269,860
<b>Liabilities:</b>		
Current Liabilities	7,785,256	6,915,524
Noncurrent Liabilities:		
Due Within One Year	1,541,383	1,160,934
Due in More than One Year:		
Net Pension Liability	64,990,861	69,560,458
Net OPEB Liability	6,754,800	15,879,373
Other Obligations	58,730,144	58,454,046
Total Liabilities	139,802,444	151,970,335
<b>Deferred Inflows of Resources:</b>		
Property Taxes	29,500,100	28,336,483
Payments in Lieu of Taxes	501,493	501,595
Pension and OPEB	11,886,211	5,189,538
Total Deferred Inflows of Resources	41,887,804	34,027,616
<b>Net Position:</b>		
Net Investment in Capital Assets	37,456,060	37,807,122
Restricted	6,380,552	7,041,111
Unrestricted	(42,322,574)	(51,202,274)
Total Net Position	\$ 1,514,038	(6,354,041)

The net pension liability (NPL) is reported pursuant to GASB 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27", and the net OPEB asset/liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension

## Northmont City School District, Ohio

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2019*

*(Unaudited)*

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and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting net OPEB asset and 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

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2019*

*(Unaudited)*

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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 OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these assets/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 asset/liability, respectively, not accounted for as deferred inflows/outflows.

As noted earlier, increases or decreases in net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.5 million at the close of the most recent fiscal year compared with the \$6.4 million deficit reported one year prior.

Total assets of the District increased by \$6.6 million, or 4.2%, from June 30, 2018 to June 30, 2019. Capital assets decreased by \$1.2 million (1.3%) as the District's depreciation expense reported for the year exceeded current year capital asset additions. At year end, capital assets represented 53.9% of total assets. Current and other asset accounts increased by \$4.0 million during the year as the District reported cash and cash equivalents which was \$3.8 million more than the prior year due to revenues for the current year being more than annual expenditures. The \$3.7 million net OPEB asset was recognized for fiscal year 2019 due to changes in actuarial assumptions made for the OPEB plan provided by the State Teachers Retirement System (STRS) of Ohio. At June 30, 2018, the net OPEB liability reported associated with STRS was \$8.9 million for the District.

Total liabilities reported at June 30, 2019 decreased by \$12.2 million (8.0%) from those reported at the beginning of the year. Net pension and OPEB liabilities (described above) decreased \$13.7 million during the year and represent approximately 51.3% of the total liabilities reported by the District. Remaining components of total liabilities increased by \$1.5 million during the year due to recognizing the capital lease agreement entered into during the year to finance the purchase of individual notebook tablets for each student being more than the scheduled debt service payments made during the year, as well as the increase in payables amount reported at June 30, 2019 related to various improvement projects underway within the District at that date.

Changes in the deferred outflows of resources and deferred inflows of resources result from the changes reported by the pension and OPEB plans annually, of which the District must recorded its proportionate share as explained above.

## Northmont City School District, Ohio

Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2019

(Unaudited)

Net position at June 30, 2019 was \$7.9 million more than it was at the beginning of the year. Net investment in capital assets decreased slightly as the depreciation expense for the year exceeded the capital asset additions plus principal payments on capital related debt during the year. Restricted net position also decreased as accreted interest on capital appreciation bonds increased 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 17.3%, or \$8.9 million, as the activity of the pension and OPEB liabilities and components are closed through the unrestricted net position account, which was partially offset by the capital lease obligation for the student notebook tablets, which is considered not to be capital related.

A comparative analysis of change in net position for fiscal years 2019 and 2018 follows:

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

	2019	2018
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$ 4,354,469	4,258,434
Operating Grants and Contributions	5,427,559	4,367,795
General Revenues:		
Property Taxes	30,836,105	31,641,854
Grants and Entitlements	28,997,248	28,934,740
Other	1,026,987	868,104
Total Revenues	70,642,368	70,070,927
<b>Expenses:</b>		
Instruction	38,045,643	18,201,072
Support Services:		
Pupils and Instructional Staff	4,433,275	2,113,803
Board of Education, Administration		
Fiscal and Business	4,877,070	2,116,915
Operation and Maintenance of Plant	4,681,580	4,309,389
Pupil Transportation	3,029,523	2,477,002
Central	425,159	298,149
Operation of Non-Instructional Services	3,923,953	3,394,845
Extracurricular Activities	1,396,426	1,247,968
Interest and Fiscal Charges	1,961,660	3,709,918
Total Expenses	62,774,289	37,869,061
<b>Change in Net Position</b>	7,868,079	32,201,866
<b>Net Position, Beginning of Year</b>	(6,354,041)	(38,555,907)
<b>Net Position, End of Year</b>	\$ 1,514,038	(6,354,041)

## Northmont City School District, Ohio

Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2019

(Unaudited)

### Governmental Activities

The net position of the District's governmental activities improved during fiscal year 2019 with total net position reported at June 30, 2019 being a positive \$1.5 million compared with the \$6.4 million overall deficit reported one year prior. Total governmental expenses of \$62.8 million exceeded program revenues of \$9.8 million, leaving the remaining \$53.0 million to be covered by general revenues. Program revenues supported 15.6% 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 84.7% 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.

Overall, program revenue reported for fiscal year 2019 was \$1.2 million more than the amount reported in for the prior year. Increases in operating grants provided for educational programs (reading comprehension and special education) as well as increased governmental funding for student nutrition for the year account for the vast majority of the increase in program revenues. In total, revenue reported for fiscal year 2019 was less than one percent 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 2018 are as follows:

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

	2019		2018	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 38,045,643	(33,485,753)	18,201,072	(14,384,508)
Support Services	17,446,607	(17,146,620)	11,315,258	(11,071,512)
Operation of Non-Instructional Services	3,923,953	197,625	3,394,845	430,582
Extracurricular Activities	1,396,426	(595,853)	1,247,968	(507,476)
Interest and Fiscal Charges	1,961,660	(1,961,660)	3,709,918	(3,709,918)
<b>Total Expenses</b>	\$ 62,774,289	(52,992,261)	37,869,061	(29,242,832)



## Northmont City School District, Ohio

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2019*

*(Unaudited)*

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The largest expense of the District, instructional programs, total \$38.0 million or 60.6% of the total governmental expenses reported for fiscal year 2019 compared with 48.1% reported for the prior year. Total expenses reported for fiscal year 2019 increased by \$24.9 million over those reported for the prior year. To properly analyze the change in expenses, the reader should remove the effects of recognizing the District's proportionate share of the pension and OPEB plans from the reported expenses. In the prior year, the District allocated negative \$29.0 million (total pension/OBEP expense and deferral of annual contributions) of expenses to the functional categories based on activity of the plans for the measurement period. For the current fiscal year, the amount allocated to the functional expense categories was a negative \$7.8 million, or a \$21.3 million swing in total expenses reported. If expenses related to activity of pension and OPEB plans are excluded from each year, total expenses would have increased by approximately 5.4% for the current year due primarily to increased cost of personnel (wage and benefit increases) as well as cost of providing notebook tablets to all students for the current fiscal year.

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 2019, these two revenue sources accounted for 98.3% of the District's general revenues which financed 84.4% 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 \$70.6 million and expenditures of \$70.6 million. Overall fund balance of governmental funds increased \$1.9 million over those at June 30, 2018.

The general fund is the primary operating fund of the District. The general fund balance increased by \$3.3 million during the year compared with the \$6.3 million increase reported in the prior year. General fund revenues decreased slightly from those reported in fiscal year 2018 due to the amount of property tax available for advance at June 30, 2019 being less than the amount available for advance one year prior. Expenditures of the fund increased by 5.4% due to the increased cost of personnel as well as inflationary factors. The District administration continues its efforts to restrict budgetary growth. The ending unassigned fund balance of the general fund at June 30, 2019 (\$20.0 million) represents 35.5% of the total expenditures reported by the general fund for the year then ended compared with the 36.9% at the end of the prior year.

The District's other major fund, the permanent improvement capital project fund, reported a decrease of \$569,647 in fund balance for fiscal year 2019 as the District had more ongoing improvement projects for the current fiscal year as compared with the prior year.



## Northmont City School District, Ohio

Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2019

(Unaudited)

### General Fund Budget Information

The District modified the general fund's budget only slightly during fiscal year 2019. Budgeted revenues and other financing sources decreased \$62,173 from \$59.1 million to \$59.0 million, and budgeted expenditures and other financing uses decreased \$153,838 from \$58.8 million to \$58.7 million.

The budgetary fund balance of the general fund ended fiscal year 2019 at \$27.3 million, or nearly \$3.3 million more than the final budgeted balance of \$24.0 million. The higher actual budgetary fund balance resulted from higher than expected State Foundation revenue as well as lower than expected spending due to management's effort to control operating costs.

The ending unencumbered cash fund balance of the General Fund at June 30, 2019 represents 48.4% of the total budgetary expenditures reported for the Fund for the year ended June 30, 2019.

### Capital Assets

At the end of the fiscal year 2019, the District had \$88.4 million invested in land, buildings, building improvements, furniture, equipment and vehicles, and infrastructure.

During the year, the District reported depreciation expense of \$2.5 million compared with capital asset additions of \$1.3 million. Significant capital asset additions for the year included purchasing 22 acres of land adjacent to the Kleptz Early Learning Center, improvements to parking lots and sidewalks, as well as the acquisition of four school buses and two maintenance vehicles.

Table 4 shows the fiscal year 2019 balances compared to fiscal year 2018.

**TABLE 4**  
**CAPITAL ASSETS, JUNE 30**

	2019	2018
Land	\$ 1,886,644	1,398,657
Buildings and Improvements	82,173,890	83,951,404
Furniture and Equipment	2,910,801	3,084,624
Vehicles	1,272,934	972,837
Infrastructure	<u>127,736</u>	<u>130,857</u>
<b>Total Net Capital Assets</b>	<b>\$ <u>88,372,005</u></b>	<b><u>89,538,379</u></b>

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

### Debt Administration

At June 30, 2019, the District had \$55.3 million in outstanding general obligation bonds, including \$1.9 million of accreted interest on capital appreciation bonds and \$1.9 million of unamortized premiums on bonds issued. The District paid \$900,000 in principal on bonds during fiscal year 2019 and another \$865,000 of principal is due to mature within one year.

## Northmont City School District, Ohio

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2019*

*(Unaudited)*

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During the current fiscal year, the District also entered into a lease-purchase agreement to acquire notebook tablets for all students amounting to \$1.9 million. Total capital lease principal payments of \$561,461 were paid against lease liabilities and another \$563,925 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.

### **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, 2019

	Governmental Activities	Component Unit	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Investments	\$ 39,791,314	\$ -	\$ 39,791,314
Intergovernmental Receivable	1,060,162	-	1,060,162
Property and Other Local Taxes Receivable	30,980,018	-	30,980,018
Net OPEB Asset	3,743,937	-	3,743,937
Land	1,886,644	-	1,886,644
Depreciable Capital Assets, net	86,485,361	-	86,485,361
<i>Total Assets</i>	<u>163,947,436</u>	<u>-</u>	<u>163,947,436</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Charge on Refunding Pension and OPEB	1,121,536	-	1,121,536
	18,135,314	-	18,135,314
<i>Total Deferred Outflows of Resources</i>	<u>19,256,850</u>	<u>-</u>	<u>19,256,850</u>
<b>LIABILITIES:</b>			
Accounts Payable	930,637	-	930,637
Accrued Wages and Benefits	5,414,309	-	5,414,309
Intergovernmental Payable	1,071,958	-	1,071,958
Claims Payable	14,018	-	14,018
Matured Compensated Absences Payable	33,633	-	33,633
Accrued Interest Payable	320,701	-	320,701
Long-Term Liabilities:			
Due Within One Year	1,541,383	-	1,541,383
Due in More Than One Year:			
Net Pension Liability	64,990,861	-	64,990,861
Net OPEB Liability	6,754,800	-	6,754,800
Other Amounts Due in More Than One Year	58,730,144	-	58,730,144
<i>Total Liabilities</i>	<u>139,802,444</u>	<u>-</u>	<u>139,802,444</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Property Taxes not Levied to Finance Current Year Operations	29,500,100	-	29,500,100
Payments in Lieu of Taxes not Intended to Finance Current Year Operations	501,493	-	501,493
Pension and OPEB	11,886,211	-	11,886,211
<i>Total Deferred Inflows of Resources</i>	<u>41,887,804</u>	<u>-</u>	<u>41,887,804</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	37,456,060	-	37,456,060
Restricted for Capital Outlay	4,347,337	-	4,347,337
Restricted for Classroom Facilities Maintenance	887,352	-	887,352
Restricted for Student Activities	505,042	-	505,042
Restricted for Food Service	569,222	-	569,222
Restricted for Federal and State Educational Grants	22,024	-	22,024
Restricted for Other Purposes	49,575	-	49,575
Unrestricted	(42,322,574)	-	(42,322,574)
<i>Total Net Position</i>	<u>\$ 1,514,038</u>	<u>\$ -</u>	<u>\$ 1,514,038</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, 2019*

	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
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$ 25,524,304	\$ 1,284,534	\$ 765,974	\$ (23,473,796)		\$ (23,473,796)
Special	10,693,336	-	2,448,108	(8,245,228)		(8,245,228)
Vocational	199,367	-	61,274	(138,093)		(138,093)
Other	1,628,636	-	-	(1,628,636)		(1,628,636)
Support Services:						
Pupils	3,789,569	-	35,503	(3,754,066)		(3,754,066)
Instructional Staff	643,706	-	-	(643,706)		(643,706)
Board of Education	58,363	-	-	(58,363)		(58,363)
Administration	3,552,639	-	47,272	(3,505,367)		(3,505,367)
Fiscal	910,762	-	-	(910,762)		(910,762)
Business	355,306	-	-	(355,306)		(355,306)
Operation and Maintenance of Plant	4,681,580	25,959	21,745	(4,633,876)		(4,633,876)
Pupil Transportation	3,029,523	-	155,108	(2,874,415)		(2,874,415)
Central	425,159	-	14,400	(410,759)		(410,759)
Operation of Non-Instructional Services	3,923,953	2,443,267	1,678,311	197,625		197,625
Extracurricular Activities	1,396,426	600,709	199,864	(595,853)		(595,853)
Interest and Fiscal Charges	1,961,660	-	-	(1,961,660)		(1,961,660)
<b>Total Governmental Activities</b>	<b>62,774,289</b>	<b>4,354,469</b>	<b>5,427,559</b>	<b>(52,992,261)</b>		<b>(52,992,261)</b>
<b>Component Unit:</b>						
Northmont Secondary Academy	3,027	-	-		(3,027)	(3,027)
<b>Total Component Unit</b>	<b>3,027</b>	<b>-</b>	<b>-</b>		<b>(3,027)</b>	<b>(3,027)</b>
<b>Total</b>	<b>\$ 62,777,316</b>	<b>\$ 4,354,469</b>	<b>\$ 5,427,559</b>	<b>(52,992,261)</b>	<b>(3,027)</b>	<b>(52,995,288)</b>
<b>General Revenues:</b>						
Grants and Entitlements not Restricted to Specific Programs				28,997,248	-	28,997,248
Investment Earnings				274,288	-	274,288
Payments in Lieu of Taxes				501,493	-	501,493
Miscellaneous				251,206	-	251,206
Property Taxes Levied for:						
General Purposes				27,661,578	-	27,661,578
Debt Service				2,280,657	-	2,280,657
Capital Projects				629,156	-	629,156
Classroom Facilities Maintenance				264,714	-	264,714
<b>Total General Revenues</b>				<b>60,860,340</b>	<b>-</b>	<b>60,860,340</b>
<b>Change in Net Position</b>				<b>7,868,079</b>	<b>(3,027)</b>	<b>7,865,052</b>
<b>Net Position - Beginning of Year</b>				<b>(6,354,041)</b>	<b>3,027</b>	<b>(6,351,014)</b>
<b>Net Position - End of Year</b>				<b>\$ 1,514,038</b>	<b>\$ -</b>	<b>\$ 1,514,038</b>

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

## Northmont City School District, Ohio

### Balance Sheet Governmental Funds June 30, 2019

	General Fund	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Investments	\$ 29,531,040	\$ 4,511,654	\$ 5,748,620	\$ 39,791,314
Receivables (Net):				
Taxes	27,788,536	898,570	2,292,912	30,980,018
Intergovernmental	139,362	501,493	419,307	1,060,162
Interfund	105,872	-	-	105,872
<b>Total Assets</b>	<b>\$ 57,564,810</b>	<b>\$ 5,911,717</b>	<b>\$ 8,460,839</b>	<b>\$ 71,937,366</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 317,528	\$ 203,346	\$ 409,763	\$ 930,637
Accrued Wages and Benefits	4,950,357	-	463,952	5,414,309
Interfund Payable	-	-	105,872	105,872
Intergovernmental Payable	1,020,593	-	51,365	1,071,958
Matured Compensated Absences Payable	33,633	-	-	33,633
Claims Payable	14,018	-	-	14,018
<b>Total Liabilities</b>	<b>6,336,129</b>	<b>203,346</b>	<b>1,030,952</b>	<b>7,570,427</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Property Taxes not Levied to Finance				
Current Year Operations	26,463,541	854,838	2,181,721	29,500,100
Revenue in Lieu of Taxes not Intended to				
Finance Current Year Operations	-	501,493	-	501,493
Unavailable Revenue	524,243	17,415	463,757	1,005,415
<b>Total Deferred Inflows of Resources</b>	<b>26,987,784</b>	<b>1,373,746</b>	<b>2,645,478</b>	<b>31,007,008</b>
<b>FUND BALANCES:</b>				
<b>Restricted:</b>				
Capital Outlay	-	4,334,625	1,170,079	5,504,704
Debt Service	-	-	1,803,120	1,803,120
Food Service	-	-	713,426	713,426
Facilities Maintenance	-	-	895,577	895,577
Student Activities	-	-	505,042	505,042
Educational Grant Programs	-	-	17,636	17,636
Other Purposes	-	-	49,575	49,575
<b>Assigned:</b>				
School Supported Activities	736,830	-	-	736,830
Future Purchase Commitments	320,300	-	-	320,300
Subsequent Appropriations	3,143,746	-	-	3,143,746
Unassigned (Deficit)	20,040,021	-	(370,046)	19,669,975
<b>Total Fund Balances</b>	<b>24,240,897</b>	<b>4,334,625</b>	<b>4,784,409</b>	<b>33,359,931</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 57,564,810</b>	<b>\$ 5,911,717</b>	<b>\$ 8,460,839</b>	<b>\$ 71,937,366</b>

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, 2019

Total Governmental Fund Balances	\$	33,359,931
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.		88,372,005
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		586,108
Intergovernmental Receivable		419,307
Certain items will not be recognized as expenditures for the current period and therefore are not reported as deferred outflows of resources in the funds.		
Deferred Charge on Refunding		1,121,536
The net OPEB asset is not a current asset and the net pension and OPEB liabilities are not due and payable in the current period; therefore those assets and liabilities, as well as the related deferred outflows/inflows are not reported in governmental funds.		
Net OPEB Asset		3,743,937
Deferred Outflows - Pension and OPEB		18,135,314
Deferred Inflows - Pension and OPEB		(11,886,211)
Net Pension Liability		(64,990,861)
Net OPEB Liability		(6,754,800)
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		(51,432,807)
Accreted Interest on Capital Appreciation Bonds		(1,929,991)
Capital Leases		(1,601,269)
Unamortized Bond Premium		(1,941,516)
Accrued Interest on Long-Term Debt		(320,701)
Compensated Absences		(3,365,944)
Net Position of Governmental Activities	\$	1,514,038

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, 2019*

	General Fund	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 27,675,848	\$ 629,699	\$ 2,546,823	\$ 30,852,370
Intergovernmental	29,420,692	105,708	4,572,143	34,098,543
Interest	271,896	-	2,392	274,288
Tuition and Fees	1,417,490	-	-	1,417,490
Rent	74,254	-	-	74,254
Extracurricular Activities	190,124	-	353,024	543,148
Gifts and Donations	166,136	-	52,822	218,958
Customer Sales and Services	306,328	-	2,013,249	2,319,577
Payments in Lieu of Taxes	-	501,493	-	501,493
Miscellaneous	224,429	-	26,777	251,206
<i>Total Revenues</i>	<u>59,747,197</u>	<u>1,236,900</u>	<u>9,567,230</u>	<u>70,551,327</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	25,128,729	-	693,533	25,822,262
Special	10,043,610	-	1,777,069	11,820,679
Vocational	245,048	-	-	245,048
Other	1,670,831	-	-	1,670,831
<b>Support Services:</b>				
Pupils	4,514,591	-	28,986	4,543,577
Instructional Staff	649,607	-	1,432	651,039
Board of Education	57,954	-	-	57,954
Administration	4,077,031	-	49,368	4,126,399
Fiscal	1,149,129	15,529	39,653	1,204,311
Business	372,144	-	-	372,144
Operation and Maintenance of Plant	3,684,331	-	493,990	4,178,321
Pupil Transportation	2,890,968	-	-	2,890,968
Central	471,006	-	14,400	485,406
Operation of Non-Instructional Services	288,558	-	3,741,898	4,030,456
Extracurricular Activities	1,022,153	-	364,949	1,387,102
Capital Outlay	196,228	3,105,519	442,773	3,744,520
<b>Debt Service:</b>				
Principal	-	561,461	900,000	1,461,461
Interest	-	7,594	1,861,044	1,868,638
<i>Total Expenditures</i>	<u>56,461,918</u>	<u>3,690,103</u>	<u>10,409,095</u>	<u>70,561,116</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	3,285,279	(2,453,203)	(841,865)	(9,789)
<b>OTHER FINANCING SOURCES AND USES:</b>				
Inception of Capital Lease	-	1,883,556	-	1,883,556
Transfers In	-	-	3,000	3,000
Transfers Out	(3,000)	-	-	(3,000)
<b>Total Other Financing Sources and Uses</b>	<u>(3,000)</u>	<u>1,883,556</u>	<u>3,000</u>	<u>1,883,556</u>
<i>Net Change in Fund Balances</i>	3,282,279	(569,647)	(838,865)	1,873,767
<i>Fund Balance at Beginning of Year</i>	<u>20,958,618</u>	<u>4,904,272</u>	<u>5,623,274</u>	<u>31,486,164</u>
<i>Fund Balance at End of Year</i>	<u>\$ 24,240,897</u>	<u>\$ 4,334,625</u>	<u>\$ 4,784,409</u>	<u>\$ 33,359,931</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, 2019*

Net Change in Fund Balances - Total Governmental Funds	\$	1,873,767
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		1,345,999
Depreciation expense		(2,512,373)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		91,041
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		1,461,461
Current year amortization of bond premium		68,826
Current year amortization of deferred charge on refunding		(38,018)
Current year accretion of interest on capital appreciation bonds		(121,598)
Inception of capital lease		(1,883,556)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Accrued interest payable		(2,232)
Compensated absences		(181,680)
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		5,068,860
OPEB		200,763
Except for amounts reported as deferred outflows/inflows, changes in the net pension and OPEB assets/liabilities are reported as expenses among the functions in the statement of activities.		
Pension		(5,471,363)
OPEB (negative expense)		7,968,182
Change in Net Position of Governmental Activities	\$	<u>7,868,079</u>

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



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**Northmont City School District, Ohio**

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*Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2019*

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	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$ 93,752</u>
<i>Total Assets</i>	<u><u>\$ 93,752</u></u>
LIABILITIES:	
Current Liabilities:	
Due to Students	<u>\$ 93,752</u>
<i>Total Liabilities</i>	<u><u>\$ 93,752</u></u>

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

# Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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## **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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### 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 2019 represents residual activity through December 6, 2018 which was the date the Academy was officially closed based on rules established by the Ohio Department of Education.

Due to the insignificant financial activity of the Academy during the fiscal year, there are no additional disclosures contained within these financial statements.

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

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

**Other Organizations** – The District is associated with four organizations, which are defined as jointly governed organizations and a public entity shared risk pool. The jointly governed organizations include the Southwestern Ohio Education 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. The organization is presented in Note 16.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### 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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### 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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### 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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### **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, 2019, but which were levied to finance fiscal year 2020 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 and intergovernmental grants. 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 the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2019. 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 has adopted GASB Statement No. 79, "Certain External Investment Pools and Participants". The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides the NAV per share that approximates fair value.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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 2019 amounted to \$271,896, and \$2,392 in the general 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:

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



## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### **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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### 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 assets/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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### **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 \$6,380,552 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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### 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 2019, the School District implemented the Governmental Accounting Standards Board (GASB) Statements No. 83, *Certain Asset Retirement Obligations* and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported, including requiring certain disclosures regarding AROs. The implementation of this Standard had no impact on the District's financial statements.

GASB Statement No. 88 clarifies what information is to be disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Debt is defined for disclosure purposes as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Required disclosure include, unused line(s) of credit, assets pledged as collateral for the debt, terms specified in debt agreement related to defaults, significant termination events and significant subjective acceleration clauses. The implementation of this Standard had no impact on the District's financial statements.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

### 3. Accountability (Continued)

#### b. Deficit Fund Balances

Individual fund deficits reported at June 30, 2019 include the following:

<u>Non-Major Funds</u>	<u>Deficit</u>
Title VI-B Grant	\$ 167,745
Title III Grant	126
Title I Grant	94,434
IDEA Preschool Grant	3,913
Title VI-R Grant	23,631
Miscellaneous Federal Grants	80,197

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.

### 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;

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

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);

Certain banker's acceptance and commercial paper notes for a period not to exceed 180 days and 270 days, respectively, from purchase date in an amount not to exceed 40% 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.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

### 4. Deposits and Investments (continued)

**Deposits** – At June 30, 2019, the carrying amount of all District deposits was \$23,591,813. Based on the criteria described in GASB Statement 40, “Deposits and Investment Risk Disclosures”, \$24,158,640 of the District’s bank balance of \$24,658,640 was exposed to custodial risk as discussed below, while \$500,000 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.

**Investments** - As of June 30, 2019, 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	\$ 1,332,437	0.000
Repurchase Agreement	11,067,974	0.000
Negotiable Certificates of Deposit	1,568,636	2.960
Commercial Paper	804,234	0.320
STAROhio	1,519,972	0.000
Total	<u>\$ 16,293,253</u>	
Portfolio Weighted Average Maturity		0.301

#### *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.

#### *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.

## Northmont City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

### 4. Deposits and Investments (continued)

Investments in STAROhio and the Money Market Mutual Funds were rated AAAM by Standard and Poor's. \$273,589 of the commercial paper held by the District was rated P-1 by Moody's and A-1 by Standard and Poor's, with the remaining \$530,645 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. The negotiable certificates of deposit are unrated, however are entirely covered by FDIC.

#### *Custodial Credit Risk*

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

#### *Concentration of Credit Risk*

The District's investment policy places no limit on the amount that may be invested in any one issuer beyond the requirements contained within the Ohio Revised Code. The following table includes the percentage of each investment type held by the District at June 30, 2019:

<u>Investment Type</u>	<u>% of Portfolio</u>
Money Market Mutual Fund	8.18%
Repurchase Agreement	67.93%
Negotiable CD's	9.63%
Commercial Paper	4.93%
STAROhio	9.33%
Total	<u>100.00%</u>

**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.



## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

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.

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, 2019, are available to finance fiscal year 2019 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, 2019. 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, 2019 was \$628,001, \$20,665, and \$52,350 for the General, Permanent Improvement, and Other Governmental Funds, respectively, and is recognized as revenue in the Governmental Funds.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

**5. Property Taxes (continued)**

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 2019 taxes were collected are:

	<b>2019 First Half Collections</b>	<b>2018 Second Half Collections</b>
Real Estate		
Residential /Agricultural and Other Real Estate	\$ 637,304,950	\$ 635,426,200
Public Utility Property	16,030,850	15,102,150
Total	\$ 653,335,800	\$ 650,528,350

**6. Receivables**

Receivables at June 30, 2019, 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:

<b>Governmental Activities:</b>	<b>Amount</b>
Distribution of Casino Taxes	\$ 139,362
Payments in Lieu of Taxes	501,493
Title VI-B	161,375
Title I	102,124
Striving Readers Comprehensive Literacy	94,075
Other grant programs	61,733
Total	\$ 1,060,162

**7. Interfund Transactions**

During fiscal year 2019, the general fund provided operating transfers of \$3,000 to the District managed student activities fund (non-major governmental fund) to provide support for certain activities and programs.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

### 7. Interfund Transactions (continued)

At June 30, 2019, the District's interfund receivables and payables consisted for the following:

Fund	Receivable	Payable
General Fund	\$ 105,872	
Other Governmental Funds:		
Miscellaneous State Grants		\$ 520
Title VIB Grant Fund		32,040
Title III - English Proficiency Grant Fund		126
Title I Grant Fund		7,597
IDEA Preschool Grant Fund		482
Miscellaneous Federal Grants Fund		65,107
	\$ 105,872	\$ 105,872

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

### 8. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance at 7/1/2018	Additions	Deductions	Balance at 6/30/2019
<b><u>Capital Assets, not being depreciated:</u></b>				
Land	\$ 1,398,657	\$ 487,987	\$ -	\$ 1,886,644
<b><u>Capital Assets, being depreciated:</u></b>				
Building and Improvements	99,886,837	260,159	-	100,146,996
Furniture and Equipment	6,020,737	49,558	-	6,070,295
Vehicles	4,320,464	548,295	335,267	4,533,492
Infrastructure	156,031	-	-	156,031
	110,384,069	858,012	335,267	110,906,814
<b><u>Less: Accumulated Depreciation:</u></b>				
Building and Improvements	15,935,433	2,037,673	-	17,973,106
Furniture and Equipment	2,936,113	223,381	-	3,159,494
Vehicles	3,347,627	248,198	335,267	3,260,558
Infrastructure	25,174	3,121	-	28,295
	22,244,347	2,512,373 *	335,267	24,421,453
<b>Capital Assets, being depreciated, net</b>	88,139,722	(1,654,361)	-	86,485,361
<b>Total Capital Assets, net</b>	\$ 89,538,379	\$ (1,166,374)	\$ -	\$ 88,372,005

## Northmont City School District, Ohio

### Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

#### 8. Capital Assets (continued)

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

Instruction:	
Regular	\$ 2,215,557
Special	2,457
Support Services:	
Pupils	167
Instructional Staff	1,205
Board of Education	409
Administration	3,128
Business	98
Operation and Maintenance of Plant	12,582
Pupil Transportation	223,887
Operation of Non-Instructional Services	25,331
Extracurricular Activities	<u>27,552</u>
Total Depreciation Expense	<u><u>\$ 2,512,373</u></u>

#### 9. Long-Term Obligations

The activity of the District's long-term obligations during fiscal year 2019 was as follows:

	Balance 7/1/2018	Increase	Decrease	Balance 6/30/2019	Amount Due Within One Year
<b>Governmental Activities:</b>					
2012A Bonds:					
Current Interest Bonds	\$ 31,415,000	\$ -	\$ (420,000)	30,995,000	\$ -
Capital Appreciation Bonds	121,703	-	-	121,703	121,703
Accretion of Interest	214,504	59,933	-	274,437	308,297
2012B Bonds:					
Serial Bonds	5,520,000	-	(100,000)	5,420,000	100,000
Term Bonds	3,490,000	-	-	3,490,000	-
2017 Refunding Bonds:					
Serial Bonds	1,955,000	-	(380,000)	1,575,000	335,000
Term Bonds	9,005,000	-	-	9,005,000	-
Capital Appreciation Bonds	826,104	-	-	826,104	-
Accretion of Interest	1,593,889	61,665	-	1,655,554	-
Premium on Bonds	<u>2,010,342</u>	-	(68,826)	<u>1,941,516</u>	-
Total General Obligation Bonds	56,151,542	121,598	(968,826)	55,304,314	865,000

(continued)

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

### 9. Long-Term Obligations (continued)

	Balance 7/1/2018	Increase	Decrease	Balance 6/30/2019	Amount Due Within One Year
<b>Governmental Activities:</b>					
Net Pension Liability:					
STRS	54,205,079	-	(2,975,462)	51,229,617	-
SERS	<u>15,355,379</u>	-	<u>(1,594,135)</u>	<u>13,761,244</u>	-
Total Net Pension Liability	69,560,458	-	(4,569,597)	64,990,861	-
Net OPEB Liability:					
STRS	8,902,812	-	(8,902,812)	-	-
SERS	<u>6,976,561</u>	-	<u>(221,761)</u>	<u>6,754,800</u>	-
Total Net OPEB Liability	15,879,373	-	(9,124,573)	6,754,800	-
Other Long-Term Obligations:					
Capital Leases	279,174	1,883,556	(561,461)	1,601,269	563,925
Compensated Absences	<u>3,184,264</u>	<u>352,042</u>	<u>(170,362)</u>	<u>3,365,944</u>	<u>112,458</u>
Total Governmental Activities	<u>\$ 145,054,811</u>	<u>\$ 2,357,196</u>	<u>\$ (15,394,819)</u>	<u>\$ 132,017,188</u>	<u>\$ 1,541,383</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.

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 \$61,665.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

### 9. Long-Term Obligations (continued)

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
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	255,000	1,771,366	2,026,366	278,332	491,668	770,000
2025-2029	3,615,000	8,668,488	12,283,488	547,772	1,567,228	2,115,000
2030-2034	7,160,000	7,751,741	14,911,741	-	-	-
2035-2039	9,255,000	6,198,025	15,453,025	-	-	-
2040-2044	11,990,000	4,091,809	16,081,809	-	-	-
2045-2049	<u>14,930,000</u>	<u>1,411,332</u>	<u>16,341,332</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 50,485,000</u>	<u>\$ 37,178,061</u>	<u>\$ 87,663,061</u>	<u>\$ 947,807</u>	<u>\$ 2,367,193</u>	<u>\$ 3,315,000</u>

#### Capital Lease – Lessee Disclosure:

During fiscal year 2019, the District entered into a lease-purchase agreement for the acquisition of notebook computers for all students. Also, in a prior year the District entered into a similar agreement for the acquisition of school buses. Both these agreements meet 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 \$561,461 in accordance with the lease agreements.

The school buses acquired through capital lease are recorded as vehicles within the financial statements with a carrying value of \$306,588 (\$377,340 historical cost less \$70,752 in accumulated depreciation). The notebook computers acquired through the capital lease agreement do not individually meet the District's capitalization policy.

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, 2019:

<u>Fiscal Year Ended June 30,</u>	<u>Total Payments</u>
2020	\$ 569,055
2021	569,054
2022	<u>470,889</u>
Total Minimum Lease Payments	1,608,998
Less: Amount Representing Interest	<u>(7,729)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,601,269</u>

## Northmont City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

### 9. Long-Term Obligations (continued)

#### **Defeased Debt Outstanding:**

As of June 30, 2019, \$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 2019, the District contracted with Southwestern Ohio Educational Purchasing Cooperative Liability, Fleet & Property Program (LFP) and Arthur J. Gallagher & Co. for property, general liability, professional and fleet insurance. Coverage provided by the LFP is as follows:

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

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

### 10. Risk Management (continued)

#### **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
2019	\$ 25,427	\$ 47,749	\$ 59,158	\$ 14,018
2018	21,541	83,129	79,243	25,427

### 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.



## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

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.

#### ***Plan Description - School Employees Retirement System (SERS)***

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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Benefits	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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0.0%.

**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, 2019, 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.

The District's contractually required contribution to SERS was \$1,200,628 for fiscal year 2019. Of this amount, \$248,250 is reported as an intergovernmental payable.

#### ***Plan Description - State Teachers Retirement System (STRS)***

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](http://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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0.0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Members are eligible to retire at age 60 with five years of service credit, or age 55 with 27 years of service, or 30 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 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% 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 or later.

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.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

**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, 2019, 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 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was approximately \$3,868,232 for fiscal year 2019. Of this amount, \$648,288 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, 2018, 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.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 13,761,244	\$ 51,229,617	\$ 64,990,861
Proportion of the net pension liability	0.240279%	0.232992%	
Change in proportionate share	-0.016724%	0.004810%	
Pension expense	\$ 679,514	\$ 4,791,849	\$ 5,471,363

At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 754,717	\$ 1,182,537	\$ 1,937,254
Change in assumptions	310,759	9,078,855	9,389,614
Change in District's proportionate share and difference in employer contributions	31,152	788,711	819,863
District contributions subsequent to the measurement date	<u>1,200,628</u>	<u>3,868,232</u>	<u>5,068,860</u>
Total	<u>\$ 2,297,256</u>	<u>\$ 14,918,335</u>	<u>\$ 17,215,591</u>

(continued)

## Northmont City School District, Ohio

### Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

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

	SERS	STRS	Total
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ -	\$ 334,560	\$ 334,560
Net difference between projected and actual earnings on pension plan investments	381,282	3,106,508	3,487,790
Change in District's proportionate share and difference in employer contributions	704,565	480,768	1,185,333
Total	\$ 1,085,847	\$ 3,921,836	\$ 5,007,683

\$5,068,860 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ 593,397	\$ 4,363,352	\$ 4,956,749
2021	(14,074)	2,851,361	2,837,287
2022	(451,607)	399,066	(52,541)
2023	(116,935)	(485,512)	(602,447)
	\$ 10,781	\$ 7,128,267	\$ 7,139,048

#### **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.

## Northmont City School District, Ohio

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019*

#### **11. Defined Benefits Pension Plans (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 pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are as follows:

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 on or after April 1, 2018, COLA's for future retirees will be delayed for three years following retirement
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:

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

<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** – Total pension liability was calculated using the discount rate of 7.50%. 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 (7.50%). 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$19,383,749	\$13,761,244	\$ 9,047,149

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

#### **Actuarial Assumptions - STRS**

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

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0.00%

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>	2.25%
Total	<u>100.00%</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, 2019*

### 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, 2018. 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, 2018. 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, 2018.

**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	\$ 74,814,112	\$ 51,229,617	\$ 31,268,542

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

#### ***Net OPEB Asset/Liability***

The net OPEB asset and liability reported on the statement of net position represents an asset for or 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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

The net OPEB asset and 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 asset and liability calculations are 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 OPEB liability to annually required employer contributions. 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 asset/liability. Resulting adjustments to the net OPEB asset/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* or fully-funded as a long-term *net OPEB asset* 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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### **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](http://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 2019, 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 2019, the minimum compensation amount was \$21,600. 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 2019, the District's surcharge obligation was \$156,295.

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 \$200,763 for fiscal year 2019. Of this amount \$165,489 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](http://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, 2019*

### 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, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset/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:

	SERS	STRS	Total
Proportionate share of the net OPEB asset	\$ -	\$ 3,743,937	\$ 3,743,937
Proportionate share of the net OPEB liability	6,754,800	-	6,754,800
Proportion of the net OPEB asset/liability	0.243480%	0.232992%	
Change in proportionate share	-0.016477%	0.004810%	
OPEB (negative) expense	\$ 134,479	\$ (8,102,661)	\$ (7,968,182)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 110,261	\$ 437,300	\$ 547,561
Difference between District's contributions and proportionate share of contributions	-	171,399	171,399
District contributions subsequent to the measurement date	200,763	-	200,763
Total	<u>\$ 311,024</u>	<u>\$ 608,699</u>	<u>\$ 919,723</u>

(continued)

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

	SERS	STRS	Total
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ -	\$ 218,136	\$ 218,136
Net difference between projected and actual earnings on OPEB plan investments	10,134	427,711	437,845
Change in assumptions	606,867	5,101,411	5,708,278
Difference between District's contributions and proportionate share of contributions	<u>460,685</u>	<u>53,584</u>	<u>514,269</u>
Total	<u>\$ 1,077,686</u>	<u>\$ 5,800,842</u>	<u>\$ 6,878,528</u>

\$200,763 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 asset or liability in the year ending June 30, 2020. 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:			
2020	\$ (356,964)	\$ (932,835)	\$ (1,289,799)
2021	(294,211)	(932,835)	(1,227,046)
2022	(95,501)	(932,835)	(1,028,336)
2023	(91,187)	(835,698)	(926,885)
2024	(91,889)	(801,622)	(893,511)
2025	<u>(37,673)</u>	<u>(756,318)</u>	<u>(793,991)</u>
	<u>\$ (967,425)</u>	<u>\$ (5,192,143)</u>	<u>\$ (6,159,568)</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.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

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 OPEB liability in the latest actuarial valuation, prepared as of June 30, 2018, 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	3.56%
Measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Prior measurement date	3.63%
Measurement date	3.70%
Municipal bond index rate:	
Pre-Medicare	7.25% - 4.75%
Medicare	5.375% - 4.75%

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.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

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. 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, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. 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

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

rate of 3.62% as of June 30, 2018 (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.

***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 3.70%, 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 (2.70%) and one percentage point higher (4.70%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 8,196,420	\$ 6,754,800	\$ 5,613,309

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 (6.25% decreasing to 3.75%) and one percentage point higher (8.25% decreasing to 5.75%) than the current rates.

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
District's proportionate share of the net OPEB liability	\$ 5,449,885	\$ 6,754,800	\$ 8,482,743



## Northmont City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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

#### **Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018 actuarial valuation are presented below:

Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Health care cost trends	
Medical	
Pre-Medicare	6.00% initially, 4.00% ultimately
Medicare	5.00% initially, 4.00% ultimately
Prescription Drug	
Pre-Medicare	8.00% initially, 4.00% ultimately
Medicare	-5.23% initially, 4.00% ultimately

For healthy retirees the mortality rates 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. 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, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 4.13% to 7.45% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. However, in June 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

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>	2.25%
Total	<u>100.00%</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.

**Discount Rate** – The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2018. 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 projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB liability as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset 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 asset calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) and one percentage point higher (8.45%) than the current rate. Also shown is the net OPEB asset 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:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net OPEB asset	\$ 3,208,904	\$ 3,743,937	\$ 4,193,606

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

	1% Decrease	Current Trend Rates	1% Increase
District's proportionate share of the net OPEB asset	\$ 4,168,222	\$ 3,743,937	\$ 3,313,042

### 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.

	<b>Capital Acquisition</b>
Set-aside cash balance as of June 30, 2018	\$ -
Current year set-aside requirements	896,161
Current year offset - PI Levy	(1,077,219)
Total	\$ (181,058)
Set-aside cash balance as of June 30, 2019	\$ -

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	\$ 644,925
Permanent Improvement	703,241
Other governmental funds	769,710
Total	\$ 2,117,876

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### **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, 2019, if applicable, cannot be determined at this time.

#### **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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### **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 2019, the District paid \$192,322 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 \$291,983 to META Solutions during fiscal year 2019.

#### **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

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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### **18. Tax Abatements**

During fiscal year 2019, the District's property tax revenues were reduced by \$213,035 and \$799,855 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 2019, the District received \$94,559 from the City of Clayton and \$152,619 from the City of Englewood related to property tax revenues lost under these abatement agreements.

### **19. Subsequent Event**

On November 1, 2019, the District issued \$7,905,000 of School Improvement Refunding Bonds, Series 2019 which have stated interest rates of 3.00% to 4.00% and mature on November 1, 2035. The proceeds from this bond issuance, including applicable premium, was placed into an irrevocable escrow account for refunding \$8,810,000 of the District's outstanding 2012B Bonds that mature November 1, 2020 through and including November 1, 2035 and which are expected to be redeemed on December 2, 2019 at a redemption price of 100%.

***Required Supplementary Information***

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## 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, 2019*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property Taxes	\$ 28,869,661	\$ 28,807,488	\$ 28,683,802	\$ (123,686)
Intergovernmental	28,796,178	28,796,178	29,291,261	495,083
Interest	33,124	33,124	242,238	209,114
Tuition and Fees	1,173,315	1,173,315	1,284,534	111,219
Rent	15,191	15,191	17,455	2,264
Gifts and Donations	2,070	2,070	-	(2,070)
Miscellaneous	70,382	70,382	91,130	20,748
<i>Total Revenues</i>	<u>58,959,921</u>	<u>58,897,748</u>	<u>59,610,420</u>	<u>712,672</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	25,527,500	25,802,924	25,085,737	717,187
Special	10,742,021	10,296,082	10,192,420	103,662
Vocational	238,900	238,900	241,788	(2,888)
Other	1,889,100	1,889,100	1,672,188	216,912
<b>Support Services:</b>				
Pupils	5,019,000	5,039,207	4,521,596	517,611
Instructional Staff	794,200	845,420	665,089	180,331
Board of Education	87,100	87,100	57,954	29,146
Administration	3,939,800	3,948,103	4,040,140	(92,037)
Fiscal	1,303,500	1,304,569	1,180,147	124,422
Business	404,800	406,413	368,980	37,433
Operation and Maintenance of Plant	3,619,900	3,828,932	3,821,418	7,514
Pupil Transportation	2,745,500	2,874,445	2,965,068	(90,623)
Central	594,700	615,988	468,122	147,866
Operation of Non-Instructional Services	-	-	15,403	(15,403)
Extracurricular Activities	1,017,000	1,017,000	823,474	193,526
Capital Outlay	20,000	43,000	44,482	(1,482)
<i>Total Expenditures</i>	<u>57,943,021</u>	<u>58,237,183</u>	<u>56,164,006</u>	<u>2,073,177</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,016,900</u>	<u>660,565</u>	<u>3,446,414</u>	<u>2,785,849</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Advances In	25,952	25,952	92,260	66,308
Refund of Prior Year Expenditures	81,744	81,744	183,752	102,008
Transfers Out	(3,000)	(150,000)	(3,000)	147,000
Advances Out	(15,000)	(15,000)	(105,872)	(90,872)
Other Financing Uses	(867,100)	(272,100)	-	272,100
<i>Total Other Financing Sources (Uses)</i>	<u>(777,404)</u>	<u>(329,404)</u>	<u>167,140</u>	<u>496,544</u>
<i>Net Change in Fund Balance</i>	239,496	331,161	3,613,554	3,282,393
Fund Balance, July 1	23,063,365	23,063,365	23,063,365	-
Prior Year Encumbrances	578,281	578,281	578,281	-
Fund Balance, June 30	<u>\$ 23,881,142</u>	<u>\$ 23,972,807</u>	<u>\$ 27,255,200</u>	<u>\$ 3,282,393</u>

See accompanying notes to the required supplemental information.



## Northmont City School District, Ohio

### Schedule of the District's Proportionate Share of the Net Pension Liability Last Six Fiscal Years (1) (2)

	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>School Employees Retirement System of Ohio:</b>					
2014	0.260302%	\$ 15,479,324	\$ 7,272,052	212.86%	65.52%
2015	0.260302%	13,173,736	7,640,260	172.43%	71.70%
2016	0.258832%	14,769,176	8,276,973	178.44%	69.16%
2017	0.261701%	19,154,110	8,127,464	235.67%	62.98%
2018	0.257003%	15,355,379	8,225,421	186.68%	69.50%
2019	0.240279%	13,761,244	8,110,911	169.66%	71.36%
<b>State Teachers Retirement System of Ohio:</b>					
2014	0.229898%	\$ 66,610,566	\$ 24,535,515	271.49%	69.30%
2015	0.229898%	55,919,184	25,296,108	221.06%	74.70%
2016	0.231757%	64,050,809	24,179,943	264.89%	72.09%
2017	0.229585%	76,848,869	24,156,707	318.13%	66.78%
2018	0.228182%	54,205,079	25,085,793	216.08%	75.30%
2019	0.232992%	51,229,617	26,487,214	193.41%	77.30%

(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 compiled.

(2) Amounts presented for each year were determined as of the District's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplemental information.

## Northmont City School District, Ohio

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

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>School Employees Retirement System of Ohio:</b>					
2011	\$ 1,024,220	\$ (1,024,220)	\$ -	8,148,130	12.57%
2012	1,015,499	(1,015,499)	-	7,550,178	13.45%
2013	1,006,452	(1,006,452)	-	7,272,052	13.84%
2014	1,058,940	(1,058,940)	-	7,640,260	13.86%
2015	1,090,905	(1,090,905)	-	8,276,973	13.18%
2016	1,137,845	(1,137,845)	-	8,127,464	14.00%
2017	1,151,559	(1,151,559)	-	8,225,421	14.00%
2018	1,094,973	(1,094,973)	-	8,110,911	13.50%
2019	1,200,628	(1,200,628)	-	8,893,541	13.50%
<b>State Teachers Retirement System of Ohio:</b>					
2011	\$ 3,393,696	\$ (3,393,696)	\$ -	26,105,354	13.00%
2012	3,288,432	(3,288,432)	-	25,295,631	13.00%
2013	3,189,617	(3,189,617)	-	24,535,515	13.00%
2014	3,288,494	(3,288,494)	-	25,296,108	13.00%
2015	3,385,192	(3,385,192)	-	24,179,943	14.00%
2016	3,381,939	(3,381,939)	-	24,156,707	14.00%
2017	3,512,011	(3,512,011)	-	25,085,793	14.00%
2018	3,708,210	(3,708,210)	-	26,487,214	14.00%
2019	3,868,232	(3,868,232)	-	27,630,229	14.00%

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

See accompanying notes to the required supplemental information.

## Northmont City School District, Ohio

*Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)  
Last Three Fiscal Years (1) (2)*

District's Proportion of the Net OPEB Liability or Asset	District's Proportionate Share of the Net OPEB Liability or (Asset)	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset
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**School Employees Retirement System of Ohio:**

2017	0.263716%	\$ 7,516,869	\$ 8,127,464	92.49%	11.49%
2018	0.259957%	6,976,561	8,225,421	84.82%	12.46%
2019	0.243480%	6,754,800	8,110,911	83.28%	13.57%

**State Teachers Retirement System of Ohio:**

2017	0.229585%	\$ 12,278,241	\$ 24,156,707	50.83%	37.30%
2018	0.228182%	8,902,812	25,085,793	35.49%	47.11%
2019	0.232992%	(3,743,937)	26,487,214	-14.13%	176.00%

(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 compiled.

(2) Amounts presented for each year were determined as of the District's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplemental information.

## Northmont City School District, Ohio

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

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>School Employees Retirement System of Ohio:</b>					
2016	\$ 126,664	\$ (126,664)	\$ -	8,127,464	1.56%
2017	137,788	(137,788)	-	8,225,421	1.68%
2018	170,836	(170,836)	-	8,110,911	2.11%
2019	200,763	(200,763)	-	8,893,541	2.26%
<b>State Teachers Retirement System of Ohio:</b>					
2016	\$ -	\$ -	\$ -	24,156,707	0.00%
2017	-	-	-	25,085,793	0.00%
2018	-	-	-	26,487,214	0.00%
2019	-	-	-	27,630,229	0.00%

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

(2) Includes Surcharge for School Employees Retirement System of Ohio.

See accompanying notes to the required supplemental information.

## Northmont City School District, Ohio

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### *Notes to the Required Supplemental Information For the Fiscal Year Ended June 30, 2019*

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#### **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 schedule reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2019.

##### **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

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*Notes to the Required Supplemental Information  
For the Fiscal Year Ended June 30, 2019*

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### **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, 2019*

**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	\$ 3,613,554
Adjustments:	
Revenue Accruals	(689,066)
Expenditure Accruals	(196,136)
Encumbrances	535,898
Other Financing Sources(Uses)	(170,140)
Perspective Budgeting Difference **	188,169
GAAP Basis	\$ 3,282,279

\*\* 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

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*Notes to the Required Supplemental Information  
For the Fiscal Year Ended June 30, 2019*

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### **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 and funding terms.* In measurement year 2018, post-retirement increases in benefits included the following changes: 1) members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3.0% of their base benefit on the anniversary of their initial date of retirement; 2) members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019 and 2020; 3) members, or their survivors, retiring on or after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

#### **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 to 3.00%, 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 and funding terms.* Effective July 1, 2017, the COLA was reduced to zero.



## Northmont City School District, Ohio

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*Notes to the Required Supplemental Information  
For the Fiscal Year Ended June 30, 2019*

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### **Note 3 – Other Postemployment Benefit (OPEB) Plans**

#### **School Employees Retirement System of Ohio:**

*Change in assumptions.* In measurement year 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 in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age setback for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and 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 among disabled members.

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability, including the Municipal Bond Index Rate of 3.62%, 3.56%, and 2.92% for measurement years 2018, 2017, 2016, respectively, and the Single Equivalent Interest Rate, net of plan investment expense, including price inflation of 3.70%, 3.63%, and 2.98% for measurement years 2018, 2017, 2016, respectively.

In measurement year 2018, medical trend rates have been adjusted to reflect premium decreases.

*Change in benefit and funding terms.* In measurement year 2018, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care Fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

#### **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.

## Northmont City School District, Ohio

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*Notes to the Required Supplemental Information  
For the Fiscal Year Ended June 30, 2019*

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

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

*Change in benefit and funding terms.* For measurement year 2017, 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.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$232,534		\$232,534	
National School Lunch Program	10.555	N/A	1,099,144	210,714	1,099,144	210,714
Total Child Nutrition Cluster			<u>1,331,678</u>	<u>210,714</u>	<u>1,331,678</u>	<u>210,714</u>
Total U.S. Department of Agriculture			<u>1,331,678</u>	<u>210,714</u>	<u>1,331,678</u>	<u>210,714</u>
<b>U.S. Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	S010A170035 S010A180035	610,091		631,720	
Special Education Cluster (IDEA)						
Special Education Grants to States	84.027	H027A170111 H027A180111	1,068,458		1,093,928	
Special Education Preschool Grants	84.173	H173A170119 H173A180119	32,580		33,339	
Total Special Education Cluster (IDEA)			<u>1,101,038</u>	<u>-</u>	<u>1,127,267</u>	<u>-</u>
Student Support and Academic Enrichment Program	84.424	S424A180036	49,429		66,859	
English Language Acquisition State Grants	84.365	S365A170035 S365A180035	13,294		14,027	
Supporting Effective Instruction State Grants	84.367	S367A170034 S637A180034	140,313		145,154	
Comprehensive Literacy Development	84.371	S371C170019 S371C180019	441,649		433,374	
Total U.S. Department of Education			<u>2,355,814</u>	<u>-</u>	<u>2,418,401</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$3,687,492</u>	<u>\$210,714</u>	<u>\$3,750,079</u>	<u>\$210,714</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, 2019**

**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, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following 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.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - 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 E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



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WestRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Northmont City School District, Montgomery County, (the District) as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 16, 2020.

### ***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

January 16, 2020

# OHIO AUDITOR OF STATE KEITH FABER



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130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

## 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 fiscal year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***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 fiscal year ended June 30, 2019.

***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

January 16, 2020



**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

**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):	Special Education Cluster (IDEA)
<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?	Yes

**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  
JANUARY 30, 2020**