# Northmont City School District
# Montgomery County, Ohio

Basic Financial Statements

June 30, 2008

(with Independent Auditors' Report)

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Northmont City School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northmont City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 3, 2009

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmont City School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmont City School District as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 42 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 4, 2009

The discussion and analysis of Northmont City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

## Financial Highlights

Key financial highlights for 2008 are as follows:

- Net assets of governmental activities increased $49,750 which represents a 0.47% increase from 2007.

- General revenues accounted for $46,516,796 in revenue or 84% of all revenues. Program specific evenues in the form of charges for services and sales, grants and contributions accounted for $8,673,027 or 16% of total revenues of $55,189,823 .

- The District had $55,140,073 in expenses related to governmental activities; $8,673,027 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $46,516,796 were also used to provide for these programs.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

## Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- Governmental Activities – All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

## Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

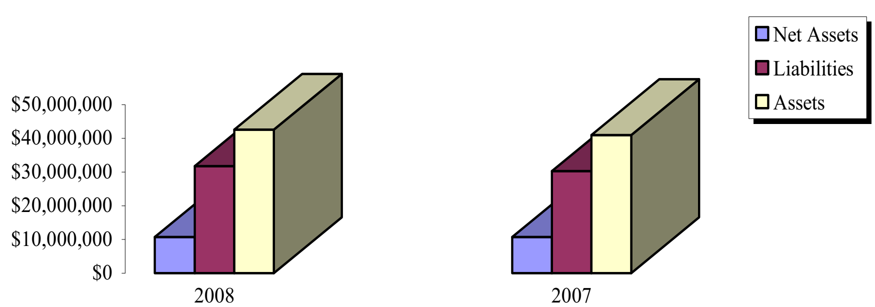
***Fiduciary Funds*** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

## The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2008 compared to 2007:

Table 1
Net Assets

| | Governmental Activities | |
|---|---|---|
| | 2008 | 2007 |
| Assets: | | |
| Current and Other Assets | $36,073,701 | $34,450,114 |
| Capital Assets | 6,456,151 | 6,490,722 |
| Total Assets | 42,529,852 | 40,940,836 |
| Liabilities: | | |
| Other Liabilities | 28,317,359 | 27,066,800 |
| Long-Term Liabilities | 3,467,284 | 3,178,577 |
| Total Liabilities | 31,784,643 | 30,245,377 |
| Net Assets: | | |
| Invested in Capital Assets, Net of Related Debt | 5,659,901 | 5,515,653 |
| Restricted | 1,487,804 | 1,178,555 |
| Unrestricted | 3,597,504 | 4,001,251 |
| Total Net Assets | $10,745,209 | $10,695,459 |




Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by $10,745,209 .

At year-end, capital assets represented 15% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture, fixtures and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, was $5,659,901 . These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, $1,487,804 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and other assets increased mainly due to an increase in taxes receivable which was as a result of an increase in the amount available for advance. Other liabilities increased mainly due to an increase in unearned revenue. Unearned revenue also increased due to the increase in the amount available for advance.

Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

Table 2
Changes in Net Assets

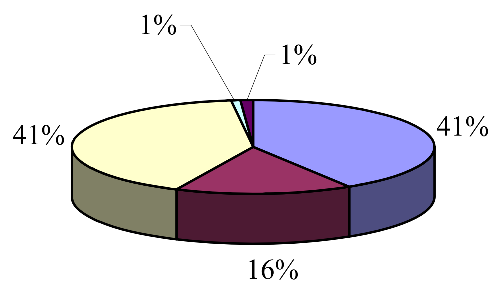
| | Governmental Activities | |
|---|---|---|
| | 2008 | 2007 |
| Revenues: | | |
| Program Revenues | | |
| Charges for Services | $4,235,077 | $4,253,761 |
| Operating Grants, Contributions | 4,416,809 | 4,530,353 |
| Capital Grants and Contributions | 21,141 | 76,769 |
| General Revenues: | | |
| Property Taxes | 22,805,469 | 20,917,088 |
| Grants and Entitlements | 22,889,221 | 22,443,051 |
| Other | 822,106 | 865,004 |
| Total Revenues | 55,189,823 | 53,086,026 |
| Program Expenses: | | |
| Instruction | 34,340,910 | 33,155,963 |
| Support Services: | | |
| Pupil and Instructional Staff | 4,230,036 | 4,143,899 |
| School Administrative, General Administration, Fiscal and Business | 4,886,545 | 4,626,929 |
| Operations and Maintenance | 3,797,428 | 3,634,560 |
| Pupil Transportation | 2,333,609 | 1,492,726 |
| Central | 355,111 | 353,648 |
| Operation of Non-Instructional Services | 3,981,857 | 4,114,703 |
| Extracurricular Activities | 1,168,624 | 1,201,160 |
| Interest and Fiscal Charges | 45,953 | 30,854 |
| Total Program Expenses | 55,140,073 | 52,754,442 |
| Change in Net Assets | 49,750 | 331,584 |
| Net Assets Beginning of Year | 10,695,459 | 10,363,875 |
| Net Assets End of Year | $10,745,209 | $10,695,459 |

The District revenues are mainly from two sources. Property taxes levied for general and capital project purposes and grants and entitlements comprised 83% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home were reappraised and increased to $200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay $35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 41% of revenue for governmental activities for the District in fiscal year 2008.

| Revenue Sources | 2008 | Percent of Total |
|---|---|---|
| General Grants | $22,889,221 | 41% |
| Program Revenues | 8,673,027 | 16% |
| General Tax Revenues | 22,805,469 | 41% |
| Investment Earnings | 443,539 | 1% |
| Other Revenues | 378,567 | 1% |
| | $55,189,823 | 100% |




Instruction comprises 62.3% of governmental program expenses. Support services expenses were 28.3% of governmental program expenses. All other expenses including interest expense were 9.4% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenue increased from 2007 to 2008 mainly due to an increase in property tax advances available. Instructional expenses increased mainly due to an increase in personnel costs and general inflationary factors.

## Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Instruction | $34,340,910 | $33,155,963 | ($30,251,169) | ($28,871,905) |
| Support Services: | | | | |
| Pupil and Instructional Staff | 4,230,036 | 4,143,899 | (4,207,746) | (4,121,389) |
| School Administrative, General Administration, Fiscal and Business | 4,886,545 | 4,626,929 | (4,841,303) | (4,585,716) |
| Operations and Maintenance | 3,797,428 | 3,634,560 | (3,780,239) | (3,618,575) |
| Pupil Transportation | 2,333,609 | 1,492,726 | (2,260,795) | (1,384,751) |
| Central | 355,111 | 353,648 | (256,223) | (334,027) |
| Operation of Non-Instructional Services | 3,981,857 | 4,114,703 | (155,276) | (296,998) |
| Extracurricular Activities | 1,168,624 | 1,201,160 | (668,342) | (649,344) |
| Interest and Fiscal Charges | 45,953 | 30,854 | (45,953) | (30,854) |
| Total Expenses | $55,140,073 | $52,754,442 | ($46,467,046) | ($43,893,559) |

## The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised $33,734,760 (93%) of the total $36,108,701 governmental funds assets.

***General Fund***: Fund balance at June 30, 2008 was $5,112,591, including $2,810,876 of unreserved balance, an increase of $308,149 from 2007. The fund balance increased from the prior year mainly due to increases in taxes revenue.

## General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2008, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was $48,083,500, compared to original budget estimates of $48,896,141. Of this $812,641 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was $1,020,791 above the final budgeted amount.

## Capital Assets and Debt Administration

### *Capital Assets*

At the end of fiscal year 2008, the District had $6,456,151 invested in land, construction in progress, buildings and improvements, furniture, fixtures and equipment and vehicles. Table 4 shows fiscal 2008 balances compared to fiscal 2007:

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

| | Governmental Activities | |
|---|---|---|
| | 2008 | 2007 |
| Land | $901,562 | $901,562 |
| Construction in Progress | 169,104 | 0 |
| Building and Improvements | 3,792,330 | 3,742,152 |
| Furniture, Fixtures and Equipment | 690,843 | 679,181 |
| Vehicles | 902,312 | 1,167,827 |
| Total Net Capital Assets | $6,456,151 | $6,490,722 |

The decrease in capital assets is due to current year depreciation expense exceeding current year capital asset additions minus deletions.

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

### *Debt*

At June 30, 2008, the District had $796,250 in capital leases payable, $271,448 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

| | Governmental Activities | |
|---|---|---|
| | 2008 | 2007 |
| Capital Leases | $796,250 | $975,069 |

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

## For the Future

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

## Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandy Harris, Treasurer at Northmont City School District, 4001 Old Salem Road, Englewood, Ohio 45322. Or e-mail Sandy Harris at sharris@northmontschools.com.

Northmont City School District
Statement of Net Assets
June 30, 2008

| | Governmental Activities |
|---|---|
| Assets: | |
| Equity in Pooled Cash and Investments | $12,256,255 |
| Receivables: | |
| Taxes | 23,453,961 |
| Intergovernmental | 363,485 |
| Nondepreciable Capital Assets | 1,070,666 |
| Depreciable Capital Assets, Net | 5,385,485 |
| Total Assets | 42,529,852 |
| Liabilities: | |
| Accounts Payable | 919,378 |
| Accrued Wages and Benefits | 5,876,844 |
| Contracts Payable | 169,104 |
| Matured Compensated Absences | 443,466 |
| Unearned Revenue | 20,908,567 |
| Long-Term Liabilities: | |
| Due Within One Year | 793,463 |
| Due In More Than One Year | 2,673,821 |
| Total Liabilities | 31,784,643 |
| Net Assets: | |
| Invested in Capital Assets, Net of Related Debt | 5,659,901 |
| Restricted for: | |
| Special Revenue | 555,097 |
| Debt Service | 386 |
| Capital Projects | 932,321 |
| Unrestricted | 3,597,504 |
| Total Net Assets | $10,745,209 |

See accompanying notes to the Basic Financial Statements.

Northmont City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

| | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Governmental Activities |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Instruction: | | | | | |
| Regular | $24,243,775 | $699,580 | $350,094 | $0 | ($23,194,101) |
| Special | 9,679,219 | 32,934 | 2,937,271 | 0 | (6,709,014) |
| Vocational | 394,634 | 0 | 69,451 | 0 | (325,183) |
| Other | 23,282 | 0 | 411 | 0 | (22,871) |
| Support Services: | | | | | |
| Pupil | 3,621,740 | 0 | 0 | 0 | (3,621,740) |
| Instructional Staff | 608,296 | 0 | 22,290 | 0 | (586,006) |
| General Administration | 98,739 | 0 | 0 | 0 | (98,739) |
| School Administration | 3,406,762 | 0 | 45,242 | 0 | (3,361,520) |
| Fiscal | 956,596 | 0 | 0 | 0 | (956,596) |
| Business | 424,448 | 0 | 0 | 0 | (424,448) |
| Operations and Maintenance | 3,797,428 | 17,189 | 0 | 0 | (3,780,239) |
| Pupil Transportation | 2,333,609 | 0 | 51,673 | 21,141 | (2,260,795) |
| Central | 355,111 | 0 | 98,888 | 0 | (256,223) |
| Operation of Non-Instructional Services | 3,981,857 | 2,986,136 | 840,445 | 0 | (155,276) |
| Extracurricular Activities | 1,168,624 | 499,238 | 1,044 | 0 | (668,342) |
| Interest and Fiscal Charges | 45,953 | 0 | 0 | 0 | (45,953) |
| Total Governmental Activities | $55,140,073 | $4,235,077 | $4,416,809 | $21,141 | (46,467,046) |

| | |
|---|---|
| General Revenues: | |
| Property Taxes Levied for: | |
| General Purposes | 22,584,877 |
| Capital Projects Purposes | 220,592 |
| Grants and Entitlements not Restricted to Specific Programs | 22,889,221 |
| Investment Earnings | 443,539 |
| Other Revenues | 378,567 |
| Total General Revenues | 46,516,796 |
| Change in Net Assets | 49,750 |
| Net Assets Beginning of Year | 10,695,459 |
| Net Assets End of Year | $10,745,209 |

See accompanying notes to the Basic Financial Statements.

Northmont City School District
Balance Sheet
Governmental Funds
June 30, 2008

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Assets: | | | |
| Equity in Pooled Cash and Investments | $10,245,799 | $2,010,456 | $12,256,255 |
| Receivables: | | | |
| Taxes | 23,453,961 | 0 | 23,453,961 |
| Intergovernmental | 0 | 363,485 | 363,485 |
| Interfund | 35,000 | 0 | 35,000 |
| Total Assets | 33,734,760 | 2,373,941 | 36,108,701 |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts Payable | 849,086 | 70,292 | 919,378 |
| Accrued Wages and Benefits | 5,408,474 | 468,370 | 5,876,844 |
| Contracts Payable | 0 | 169,104 | 169,104 |
| Matured Compensated Absences | 441,327 | 2,139 | 443,466 |
| Interfund Payable | 0 | 35,000 | 35,000 |
| Deferred Revenue | 21,923,282 | 154,138 | 22,077,420 |
| Total Liabilities | 28,622,169 | 899,043 | 29,521,212 |
| Fund Balances: | | | |
| Reserved for Encumbrances | 771,036 | 271,896 | 1,042,932 |
| Reserved for Property Tax Advances | 1,530,679 | 0 | 1,530,679 |
| Unreserved, Undesignated, Reported in: | | | |
| General Fund | 2,810,876 | 0 | 2,810,876 |
| Special Revenue Funds | 0 | 472,477 | 472,477 |
| Debt Service Funds | 0 | 386 | 386 |
| Capital Projects Funds | 0 | 730,139 | 730,139 |
| Total Fund Balances | 5,112,591 | 1,474,898 | 6,587,489 |
| Total Liabilities and Fund Balances | $33,734,760 | $2,373,941 | $36,108,701 |

See accompanying notes to the Basic Financial Statements.

Northmont City School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2008

| | | |
|---|---|---|
| Total Governmental Fund Balance | | $6,587,489 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 6,456,151 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Delinquent Property Taxes | $1,014,715 | |
| Intergovernmental | 154,138 | |
| | | 1,168,853 |
| Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. | | |
| Compensated Absences | | (2,671,034) |
| Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds. | | (796,250) |
| Net Assets of Governmental Activities | | $10,745,209 |

See accompanying notes to the Basic Financial Statements.

Northmont City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2008

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $22,827,217 | $220,592 | $23,047,809 |
| Tuition and Fees | 680,368 | 60,635 | 741,003 |
| Investment Earnings | 393,546 | 49,993 | 443,539 |
| Intergovernmental | 24,720,352 | 2,494,221 | 27,214,573 |
| Extracurricular Activities | 0 | 520,633 | 520,633 |
| Charges for Services | 0 | 2,956,298 | 2,956,298 |
| Other Revenues | 31,216 | 364,493 | 395,709 |
| Total Revenues | 48,652,699 | 6,666,865 | 55,319,564 |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 23,429,620 | 285,031 | 23,714,651 |
| Special | 8,373,009 | 1,294,753 | 9,667,762 |
| Vocational | 365,754 | 0 | 365,754 |
| Other | 22,803 | 479 | 23,282 |
| Support Services: | | | |
| Pupil | 3,605,886 | 0 | 3,605,886 |
| Instructional Staff | 557,798 | 23,278 | 581,076 |
| General Administration | 98,739 | 0 | 98,739 |
| School Administration | 3,269,466 | 43,966 | 3,313,432 |
| Fiscal | 956,109 | 0 | 956,109 |
| Business | 424,107 | 0 | 424,107 |
| Operations and Maintenance | 3,748,758 | 59 | 3,748,817 |
| Pupil Transportation | 2,053,041 | 0 | 2,053,041 |
| Central | 336,214 | 3,544 | 339,758 |
| Operation of Non-Instructional Services | 0 | 3,908,216 | 3,908,216 |
| Extracurricular Activities | 507,315 | 598,524 | 1,105,839 |
| Capital Outlay | 400,824 | 284,730 | 685,554 |
| Debt Service: | | | |
| Principal Retirement | 206,982 | 50,121 | 257,103 |
| Interest and Fiscal Charges | 33,409 | 12,544 | 45,953 |
| Total Expenditures | 48,389,834 | 6,505,245 | 54,895,079 |
| Excess of Revenues Over (Under) Expenditures | 262,865 | 161,620 | 424,485 |
| Other Financing Sources (Uses): | | | |
| Issuance of Capital Leases | 78,284 | 0 | 78,284 |
| Transfers In | 0 | 37,400 | 37,400 |
| Transfers (Out) | (33,000) | (4,400) | (37,400) |
| Total Other Financing Sources (Uses) | 45,284 | 33,000 | 78,284 |
| Net Change in Fund Balance | 308,149 | 194,620 | 502,769 |
| Fund Balance Beginning of Year | 4,804,442 | 1,280,278 | 6,084,720 |
| Fund Balance End of Year | $5,112,591 | $1,474,898 | $6,587,489 |

See accompanying notes to the Basic Financial Statements.

Northmont City School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

| | | |
|---|---|---|
| Net Change in Fund Balance - Total Governmental Funds | | $502,769 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period. | | |
| Capital assets used in governmental activities | $577,568 | |
| Depreciation Expense | (607,906) | |
| | | (30,338) |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. | | (4,233) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Delinquent Property Taxes | ($242,340) | |
| Intergovernmental | 112,599 | |
| | | (129,741) |
| Repayments of capital lease principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets. | | 257,103 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Compensated Absences | | (467,526) |
| Issuances of debt are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. | | (78,284) |
| Change in Net Assets of Governmental Activities | | $49,750 |

See accompanying notes to the Basic Financial Statements.

Northmont City School District
Statement of Assets and Liabilities
Agency Fund
June 30, 2008

| | Agency |
|---|---|
| Assets: | |
| Equity in Pooled Cash and Investments | $104,817 |
| Total Assets | 104,817 |
| Liabilities: | |
| Accounts Payable | 47 |
| Due to Students | 104,770 |
| Total Liabilities | $104,817 |

See accompanying notes to the Basic Financial Statements.

## 1. DESCRIPTION OF THE DISTRICT

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 44 square miles. It is located in Montgomery County, and includes all of the Cities of Clayton, Union and Englewood and the Village of Phillipsburg and Clay Township. The District is the 58th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 344 non-certificated employees, 388 certificated employees, including 24 administrative employees who provide services to 6,015 students and other community members. The District currently operates nine instructional buildings, one administrative building, and one service center.

### REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, latchkey and maintenance of District facilities.

The following activities are included within the reporting entity:

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

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

The District is associated with organizations which are defined as jointly governed organizations and insurance purchasing pools. The jointly governed organizations are the Metropolitan Dayton Educational Cooperative Association (MDECA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA) and the Commodity Co-op managed by Gordon Foods. These jointly governed organizations are presented in Note 13. The insurance purchasing pools are the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP) and the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust. These organizations are presented in Note 14.

## 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government-wide activitities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

### MEASUREMENT FOCUS

#### Government-wide Financial Statements

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**Governmental Funds**

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

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.

### Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District only has one fiduciary fund, which is an agency fund. The student managed activity agency fund is used to account for assets and liabilities generated by student managed activities.

## BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

<u>Revenues – Exchange and Non-exchange Transactions</u>

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**EQUITY IN POOLED CASH AND INVESTMENTS**

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

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in repurchase agreements and State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2008. STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule2A7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2008 amounted to $393,546 in the general fund and $49,993 in other governmental funds.

**CAPITAL ASSETS**

All capital assets are valued at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand five hundred dollars ($1,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

| Description | Estimated Lives |
|---|---|
| Buildings and Improvements | 20-50 years |
| Furniture, Fixtures and Equipment | 5-20 years |
| Vehicles | 8 years |

**COMPENSATED ABSENCES**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

| Vacation | Certified | Administrators | Non-Certificated |
|---|---|---|---|
| How Earned | Not Eligible | 25-30 days per year or 2.08-2.50 per month | 10-25 days for each service year depending on length of service |
| Maximum Accumulation | Not Applicable | 30 days Payoff up to 10 days/yr. unused earned | Double the max accumulated |
| Vested | Not Applicable | As Earned | As Earned |
| Termination Entitlement | Not Applicable | Paid upon termination | Paid upon termination |
| **Sick Leave** | | | |
| How Earned | 1 1/4 days per month of employment (15 days per year) | 1 1/4 days per month of employment (15 days per year) | 1 1/4 days per month of employment (15 days per year) |
| Maximum Accumulation | 249 days | 249 days | 249 days |
| Vested | As Earned | As Earned | As Earned |
| Termination Entitlement | 25% paid upon retirement (62 days maximum) | 30% + 20 days paid upon retirement (85 days maximum) | 1/3 paid upon retirement (62 days maximum) |

## NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's $1,487,804 in restricted net assets, none was restricted by enabling legislation.

## INTERFUND ACTIVITY

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund “receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

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

**FUND EQUITY**

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances and property tax advances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

**ESTIMATES**

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

## 3. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

> <u>Active Monies</u> - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.
>
> <u>Inactive Monies</u> – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.
>
> <u>Interim Monies</u> – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

(1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

(2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.

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

(4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

(5) Bonds and other obligations of the State of Ohio.

(6) The Ohio State Treasurer's investment pool (STAR Ohio).

(7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

(8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2008, the carrying amount of the District's deposits was $775,503 and the bank balances was $1,514,962. Of the District's bank balance of $1,514,962, $554,640 was covered by federal depository insurance and $960,321 was exposed to custodial risk because it was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Investments**

As of June 30, 2008, the District had the following investments:

| Investment Type | Fair Value | Weighted Average Maturity (Years) |
|---|---|---|
| Repurchase Agreement | $8,382,828 | 0.00 |
| STAROhio | 3,202,741 | 0.15 |
| Total Fair Value | $11,585,569 | |
| Portfolio Weighted Average Maturity | | 0.04 |

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

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

Concentration of credit risk – The District's investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested in repurchase agreements and STAROhio for 2008. Repurchase agreements and STAROhio comprise 72% and 28% of the District's investment portfolio.

## 4. PROPERTY TAXES

Real property taxes collected in 2008 were levied in April on the assessed values as of January 1, 2007, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a $10,000 exemption in assessed value which was reimbursed by the State.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. In 2008, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2008. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2008, was $1,530,679 for General Fund and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2008 operations.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

| | Amount |
|---|---|
| Agricultural/Residential and Other Real Estate | $666,319,260 |
| Public Utility | 10,440,020 |
| Tangible Personal Property | 9,158,515 |
| Total | $685,917,795 |

## 5. RECEIVABLES

Receivables at June 30, 2008, consisted of taxes, 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.

## 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| ***Capital Assets, not being depreciated:*** | | | | |
| Land | $901,562 | $0 | $0 | $901,562 |
| Construction in Progress | 0 | 169,104 | 0 | 169,104 |
| ***Capital Assets, being depreciated:*** | | | | |
| Buildings and Improvements | 17,673,525 | 308,160 | 0 | 17,981,685 |
| Furniture, Fixtures and Equipment | 3,723,899 | 100,304 | 47,504 | 3,776,699 |
| Vehicles | 3,158,950 | 0 | 0 | 3,158,950 |
| Totals at Historical Cost | 25,457,936 | 577,568 | 47,504 | 25,988,000 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | 13,931,373 | 257,982 | 0 | 14,189,355 |
| Furniture, Fixtures and Equipment | 3,044,718 | 84,409 | 43,271 | 3,085,856 |
| Vehicles | 1,991,123 | 265,515 | 0 | 2,256,638 |
| Total Accumulated Depreciation | 18,967,214 | 607,906 | 43,271 | 19,531,849 |
| Governmental Activities Capital Assets, Net | $6,490,722 | ($30,338) | $4,233 | $6,456,151 |

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

| | |
|---|---|
| Instruction: | |
| Regular | $200,099 |
| Special | 27,721 |
| Support Services: | |
| Pupil | 6,189 |
| Instructional Staff | 2,404 |
| School Administration | 13,104 |
| Fiscal | 363 |
| Business | 98 |
| Operations and Maintenance | 20,476 |
| Pupil Transportation | 270,611 |
| Central | 15,095 |
| Operation of Non-Instructional Services | 45,010 |
| Extracurricular Activities | 6,736 |
| Total Depreciation Expense | $607,906 |

## 7. LONG-TERM LIABILITIES

| Governmental Activities: | Beginning Balance | Additions | Deductions | Ending Balance | Due In One Year |
|---|---|---|---|---|---|
| Capital Leases | $975,069 | $78,284 | $257,103 | $796,250 | $271,448 |
| Compensated Absences | 2,203,508 | 1,054,185 | 586,659 | 2,671,034 | 522,015 |
| Total Governmental Activities Long-Term Liabilities | $3,178,577 | $1,132,469 | $843,762 | $3,467,284 | $793,463 |

Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund and other governmental funds.

## 8. LEASES

### CAPITAL LEASES

The District has leases for school buses, energy conservation equipment, telecommunication equipment, food service equipment, and a modular classroom.

The District's leases meet the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the general fund and other governmental funds.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

| Fiscal Year Ending June 30, | Long-Term Debt |
|---|---|
| 2009 | $305,993 |
| 2010 | 305,993 |
| 2011 | 135,000 |
| 2012 | 93,498 |
| 2013 | 11,267 |
| 2014 | 8,620 |
| Total Payments | 860,371 |
| Less: Interest | (64,121) |
| Present Value of Minimum Lease Payments | $796,250 |

Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

| | |
|---|---|
| Buildings and Improvements | $420,379 |
| Furniture, Fixtures and Equipment | 1,176,737 |

## 9. PENSION PLANS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications.*

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2008, 2007, and 2006 were $1,135,392, $1,111,140, and $1,039,692, respectively; 50% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

## STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description
The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options
New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited members accounts as employers submit their payroll information to STRS Ohio, generally biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits
Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31$^{st}$ year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2007, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2008, 2007, and 2006 were $3,409,704, $3,375,888, and $3,170,040, respectively; 83% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

## 10. POST EMPLOYMENT BENEFITS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. The District contributions for 2008, 2007 and 2006 were $55,148, $53,969, and $50,499 which equaled the required contributions for the year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District contributions for the years ended June 30, 2008, 2007, and 2006 were $426,151, $373,053 and $388,566, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at $35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

**STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

Plan Description

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multi-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current programs includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of monthly premiums.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2008, 2007, and 2006 were $243,550, $241,135, and $226,431, respectively.

## 11. OTHER EMPLOYEE BENEFITS

### INSURANCE BENEFITS

The District provides health insurance through United Health Care. Life insurance, accidental death, and dismemberment insurance is provided to most employees through Anthem.

### RETIREMENT INCENTIVE

The District Board of Education approved a Retirement Incentive program. Participation was open to employees who are eligible, by June 30 of any given year, to retire under the State Teachers Retirement System of Ohio. Employees are required to give written notice to the Superintendent by March 30 of the year he/she first becomes eligible for "full retirement" under the State Teachers Retirement system of Ohio and must do so prior to exceeding 30 years of service with the District. The Board did not limit the number of employees participating in the plan in any one year. The retirement incentive is equal to $1,000 times each year of Northmont service, not to exceed $20,000 provided that such unit member has at least 10 years of Northmont service, five years of which must be consecutive and in a paid status immediately prior to retirement. At June 30, 2008, the District had 9 employees who had chosen to accept the retirement incentive. The liability at June 30, 2008, for those 9 employees of $180,000 has been included in the matured compensated absences liability in the fund from which the employee's salary will be paid.

## 12. CONTINGENT LIABILITIES

### GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2008.

## LITIGATION

The District's attorney estimates that all other potential claims, if applicable, against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

## 13. JOINTLY GOVERNED ORGANIZATIONS

### METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION

The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by the majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. During fiscal year 2008, the District paid MDECA $206,641 for services provided during the year. Financial information can be obtained from MDECA at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

### SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district 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 2008, the Northmont City District paid $524,290 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Kenneth Swink, who serves as Director, at 303 Corp. Center Drive, Suite 208, Vandalia, Ohio 45377.

## SOUTHWESTERN OHIO INSTRUCTIONAL TECHNOLOGY ASSOCIATION

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state of local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2008, the District paid $15,232 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

## COMMODITY CO-OP MANAGED BY GORDON FOODS

The District is a participant in a commodity co-op managed by Gordon Foods which involves the food service for the District.

## 14. INSURANCE PURCHASING POOLS

## SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL WORKERS' COMPENSATION GROUP RATING PLAN

The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL EMPLOYEE BENEFIT PLAN TRUST**

The District also participates in the EPC Benefit Plan Trust (the Plan), a, group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. The District paid $5,629,150 for medical and dental benefits to the Plan during the year.

## 15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted with Southwestern Ohio Educational Purchasing Cooperative for property insurance, fleet insurance and for liability insurance coverage.

Coverages provided by the above companies are as follows:

| | |
|---|---|
| Building and Contents - replacement cost ($1,000 deductible) | $80,900,000 |
| Boiler and Machinery ($2,500 deductible) | 80,900,000 |
| Crime Insurance ($1,000 deductible) | 500,000 |
| Automobile Liability ($1,000 deductible), per occurence | 6,000,000 |
| General Liability | |
| Per occurrence | 6,000,000 |

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

For fiscal year 2008, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

## 16. ACCOUNTABILITY

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

| | |
|---|---|
| Other Governmental Funds: | |
| Mental Health | $4,592 |
| Title VI-B | 12,661 |
| Title III | 2,128 |
| Title I | 39,062 |
| Drug Free Schools | 999 |
| Title VI-R | 10,597 |
| Food Service | 30,586 |

The above funds have deficit fund balances due to the accrual of wages and fringe benefits (GAAP basis of accounting); and also due to the timing of reimbursement for goods and/or services rendered. The general fund is liable for any deficit in any funds and will provide operating transfers when cash is required, not when accruals occur. On the cash basis of accounting, no funds had deficit balances.

## 17. FUND BALANCE RESERVES FOR SET-ASIDES

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

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

| | Textbooks | Capital Acquisition |
|---|---|---|
| Set-aside Reserve Balance as of June 30, 2007 | ($2,085,973) | $0 |
| Current Year Set-aside Requirement | 906,334 | 906,334 |
| Qualified Disbursements | (1,741,200) | (2,140,000) |
| Total | ($2,920,839) | ($1,233,666) |
| Set-Aside Reserve Balance as of June 30, 2008 | $0 | $0 |
| Set Aside Balance Carried Forward to Future Years | ($2,920,839) | |

Offset credits for capital activity during the year exceeded the amount required for the set-aside. Qualifying disbursements and carryover from prior years for textbooks totaled $3,827,173, resulting in $2,920,839 for carryover to offset textbook requirements in future years.

## 18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2008, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

| | Interfund | | Transfers | |
|---|---|---|---|---|
| | Receivable | Payable | In | Out |
| General Fund | $35,000 | $0 | $0 | $33,000 |
| Other Governmental Funds | 0 | 35,000 | 37,400 | 4,400 |
| Total All Funds | $35,000 | $35,000 | $37,400 | $37,400 |

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

## 19. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and GASB Statement No. 50 "Pension Disclosures."

Statement No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. This also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. Collectively, these benefits are commonly referred to as "other postemployment benefits (OPEB)."

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

# REQUIRED SUPPLEMENTARY INFORMATION

| | General Fund | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance from Final Budget |
| Revenues: | | | | |
| Taxes | $22,630,981 | $22,254,860 | $22,254,860 | $0 |
| Tuition and Fees | 692,602 | 681,091 | 681,091 | 0 |
| Investment Earnings | 400,197 | 393,546 | 393,546 | 0 |
| Intergovernmental | 25,138,141 | 24,720,352 | 24,720,352 | 0 |
| Other Revenues | 34,220 | 33,651 | 33,651 | 0 |
| Total Revenues | 48,896,141 | 48,083,500 | 48,083,500 | 0 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 24,148,449 | 24,148,449 | 23,477,334 | 671,115 |
| Special | 8,796,784 | 8,796,784 | 8,796,784 | 0 |
| Vocational | 364,739 | 364,739 | 364,739 | 0 |
| Other | 40,090 | 40,090 | 40,090 | 0 |
| Support Services: | | | | |
| Pupil | 3,655,381 | 3,655,381 | 3,655,381 | 0 |
| Instructional Staff | 562,700 | 562,700 | 562,700 | 0 |
| General Administration | 98,739 | 98,739 | 98,739 | 0 |
| School Administration | 3,411,023 | 3,411,023 | 3,411,023 | 0 |
| Fiscal | 997,724 | 997,724 | 997,724 | 0 |
| Business | 434,793 | 434,793 | 434,793 | 0 |
| Operations and Maintenance | 4,095,658 | 4,095,658 | 3,925,038 | 170,620 |
| Pupil Transportation | 2,262,039 | 2,262,039 | 2,248,745 | 13,294 |
| Central | 365,870 | 365,870 | 365,870 | 0 |
| Extracurricular Activities | 507,213 | 507,213 | 507,213 | 0 |
| Capital Outlay | 554,992 | 554,992 | 403,230 | 151,762 |
| Debt Service: | | | | |
| Principal Retirement | 254,525 | 254,525 | 254,525 | 0 |
| Interest and Fiscal Charges | 44,361 | 44,361 | 44,361 | 0 |
| Total Expenditures | 50,595,080 | 50,595,080 | 49,588,289 | 1,006,791 |
| Excess of Revenues Over (Under) Expenditures | (1,698,939) | (2,511,580) | (1,504,789) | 1,006,791 |
| Other Financing Sources (Uses): | | | | |
| Advances In | 111,859 | 110,000 | 110,000 | 0 |
| Advances (Out) | (110,000) | (110,000) | (110,000) | 0 |
| Transfers (Out) | (47,000) | (47,000) | (33,000) | 14,000 |
| Total Other Financing Sources (Uses) | (45,141) | (47,000) | (33,000) | 14,000 |
| Net Change in Fund Balance | (1,744,080) | (2,558,580) | (1,537,789) | 1,020,791 |
| Fund Balance Beginning of Year (includes prior year encumbrances appropriated) | 10,163,469 | 10,163,469 | 10,163,469 | 0 |
| Fund Balance End of Year | $8,419,389 | $7,604,889 | $8,625,680 | $1,020,791 |

See accompanying notes to the required supplementary information.

## 1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2008.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

| | General |
|---|---|
| GAAP Basis | $308,149 |
| Net Adjustment for Revenue Accruals | (569,199) |
| Net Adjustment for Expenditure Accruals | 421,667 |
| Issuance of Capital Leases | (78,284) |
| Advances In | 110,000 |
| Advances (Out) | (110,000) |
| Encumbrances | (1,620,122) |
| Budget Basis | ($1,537,789) |

Northmont City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

| Federal Grantor/Program Title | Federal CFDA Number | Pass Through Entity Number | Award Receipts | Award Expenditures |
|---|---|---|---|---|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| *Passed through Ohio Department of Education:* | | | | |
| Food Donations | 10.550 | NN-N1 | $ 148,210 | $ 148,210 |
| Nutrition Cluster: | | | | |
| National School Breakfast Program | 10.553 | 05-PU | 69,974 | 69,974 |
| National School Lunch Program | 10.555 | 04-PU | 632,882 | 632,882 |
| Total Nutrition Cluster | | | 702,856 | 702,856 |
| Total U.S. Department of Agriculture | | | 851,066 | 851,066 |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| *Passed through Ohio Department of Education:* | | | | |
| Special Education Cluster: | | | | |
| Special Education Grants to States | 84.027 | 6B-SF | 842,126 | 963,441 |
| Special Education - Preschool Grants | 84.173 | PG-S1 | 5,890 | 5,890 |
| Total Special Education Cluster | | | 848,016 | 969,331 |
| Title I Grants to Local Education Agencies | 84.010 | C1-S1 | 335,277 | 333,221 |
| Safe and Drug Free Schools and Communities | 84.186 | DR-S1 | 14,696 | 13,399 |
| State Grants for Innovative Programs | 84.298 | C2-S1 | 14,080 | 14,080 |
| Education Technology State Grants | 84.318 | TJ-S1 | 3,570 | 4,570 |
| Title III Immigrant Grants | 84.365 | T3-S2 | 18,010 | 17,407 |
| Improving Teacher Quality State Grants | 84.367 | TRS1 | 127,909 | 125,192 |
| Total U.S. Department of Education | | | 1,361,558 | 1,477,200 |
| TOTAL FEDERAL AWARD EXPENDITURES | | | $ 2,212,624 | $ 2,328,266 |

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

1. **Significant Accounting Policies:**
The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the Northmont City School District. The schedule has been prepared on the cash basis of accounting.

2. **U.S. Department of Agriculture:**
Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2008 the District had no significant food commodities in inventory.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmont City School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated March 4, 2009.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 4, 2009

# REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

**Compliance**

We have audited the compliance of the Northmont City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 4, 2009

**Section I – Summary of Auditors' Results**

Financial Statements

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

Federal Awards

| | |
|---|---|
| Internal control over major programs: | |
| • Material weakness(es) identified? | None noted |
| • Significant deficiency(ies) identified not considered to be material weakness(es)? | None noted |
| Type of auditors' report issued on compliance for major programs: | Unqualified |
| Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? | None noted |

Identification of major programs:

CFDA 84.010 – Title I Grant
*Special Education Cluster:*
CFDA 84.027 – Special Education Grants to States
CFDA 84.173 – Special Education – Preschool Grants

| | |
|---|---|
| Dollar threshold to distinguish between Type A and Type B programs: | $300,000 |
| Auditee qualified as low-risk auditee? | Yes |

**Section II – Financial Statement Findings**

None noted

**Section III – Federal Awards Findings and Questioned Costs**

None noted

**Section IV – Summary of Prior Audit Findings and Questioned Costs**

None reported

Mary Taylor, CPA
Auditor of State

**NORTHMONT CITY SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**APRIL 16, 2009**

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