



OHIO AUDITOR OF STATE  
**KEITH FABER**





**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY  
JUNE 30, 2021**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis .....	13
Statement of Activities – Cash Basis .....	15
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – Cash Basis .....	19
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds .....	20
Reconciliation of the Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances of Governmental Funds to the Statement of Activities .....	22
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance - Budget and Actual – Non-GAAP Budgetary Basis - General Fund .....	23
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance - Budget and Actual – Non-GAAP Budgetary Basis – Endowment Fund .....	24
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance - Budget and Actual – Non-GAAP Budgetary Basis – District Managed Student Activity Fund ....	25
Statement of Fund Net Position – Cash Basis – Proprietary Fund .....	27
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Net Position – Cash Basis – Proprietary Fund .....	28
Notes to the Basic Financial Statements .....	29
Schedule of Expenditures of Federal Awards .....	63
Notes to the Schedule of Expenditures of Federal Awards.....	64
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	65
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	67

NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY  
JUNE 30, 2021

TABLE OF CONTENTS  
(Continued)

<b>TITLE</b>	<b>PAGE</b>
Schedule of Findings.....	69
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	74
Corrective Action Plan .....	75

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Northern Local School District  
Perry County  
8700 Sheridan Road NW  
Thornville, Ohio 43076

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in cash financial position and the respective budgetary comparison for the General, Endowment and District Managed Student Activity Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As discussed in Note 19 to the financial statements, during fiscal year 2021, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 22 of the financial statements, the District is experiencing financial difficulties resulting in negative fund balances in the General Fund and Self Insurance Fund. Management's plan in regards to these financial difficulties are described in the aforementioned note to the financial statements. Additionally, as discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplementary Information***

Our audit was conducted to opine on the financial statements taken as a whole.

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

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

*Other Information*

We applied no procedures to Management's Discussion and Analysis as listed in the Table of Contents. Accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 7, 2022

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**Northern Local School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)

As management of the Northern Local District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Northern Local District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the basic financial statements.

**Financial Highlights**

Key financial highlights for the fiscal year 2021 are as follows:

- Net position of governmental activities increased by \$720,965.
- General receipts, consisting primarily of property taxes, state foundation receipts, and note proceeds, totaled approximately \$27.5 million, or 80 percent of total receipts, while program receipts, consisting of charges for services and operating grants and contributions, accounted for \$6.7 million, or 20 percent of total receipts.
- The District had \$33.5 million in cash disbursements during the fiscal year. The net cost of providing services (total cash disbursements less program receipts), totaling \$26.8 million, was funded with general receipts.

**Using this Annual Financial Report**

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 and conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, and present an aggregate view of the District's 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 non-major funds presented in total in one column.

**Northern Local School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)

***Reporting the District as a Whole***

*Statement of Net Position and the Statement of Activities – Cash Basis*

While these documents contain information about the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year?" The Statement of Net Position and the Statement of Activities answer this question. These statements are presented on the cash basis of accounting. This basis of accounting only takes into account the receipts that were received and the disbursements that were paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 Statement of Net Position and the Statement of Activities, the District's activities are all reported as Governmental.

- Governmental Activities – All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services (primarily food service), extracurricular activities, and debt service.

***Reporting the District's Most Significant Funds***

*Fund Financial Statements*

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, permanent improvement fund, endowment fund, OFCC project fund and district managed student activity fund.

***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 fiscal year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general governmental 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.

**Northern Local School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)

**Proprietary Funds** The District maintains an internal service fund that is used to account for enterprise-like operations that provide services, on a user fee basis, primarily or exclusively to departmental customers within the governmental entity itself, rather than to external customers. The District uses an internal service fund to account for its risk management related to medical/surgical and dental self-insurance. These services have been included within the governmental activities in the government-wide financial statements.

**The District as a Whole**

Table 1 provides a summary of the District's net position for 2021 compared to 2020 on a cash basis:

Table 1  
**Net Position**

	Governmental Activities	
	June 30, 2021	Restated June 30, 2020
<b>Assets</b>		
Current Assets	\$ 1,282,184	\$ 561,219
Total	\$ 1,282,184	\$ 561,219
<b>Net Position</b>		
Restricted for:		
Capital Projects	\$ 1,633,370	\$ 373,204
Debt Service	534,952	322,728
Food Service	278	-
Extracurricular Activities	223,060	303,771
State and Federal Grants	38,822	80,421
Recreation	70	70
Other Purposes	266,894	268,150
Unrestricted	(1,415,262)	(787,125)
Total Net Position	\$ 1,282,184	\$ 561,219

Net Position Restricted for Capital Projects increased in comparison with the prior fiscal year. This increase primarily represents an increase of cash on hand in the Permanent Improvement Fund and the District issuing tax anticipation notes during the fiscal year.

Net Position Restricted for Debt Service increased in comparison with the prior fiscal year. This increase represents the amount in which property taxes and related intergovernmental receipts exceeded current year principal and interest payments.

**Northern Local School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2021 in comparison to June 30, 2020.

	Governmental Activities 2021	Governmental Activities 2020
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,885,523	\$ 2,091,602
Operating Grants and Contributions	4,817,712	2,581,943
Total Program Cash Receipts	<u>6,703,235</u>	<u>4,673,545</u>
General Cash Receipts:		
Property Taxes	10,593,760	10,357,772
Grants and Entitlements	13,214,820	12,778,392
Tax Anticipation Notes Issued	3,400,000	2,000,000
Investment Earnings	4,062	1,302
Sale of Capital Assets	2,880	1,014
Miscellaneous	324,001	256,292
Total General Cash Receipts	<u>27,539,523</u>	<u>25,394,772</u>
Total Cash Receipts	<u>34,242,758</u>	<u>30,068,317</u>
Program Cash Disbursements:		
Instruction	17,744,536	16,807,707
Support Services	9,532,755	9,063,543
Operation of Food Service	1,232,192	1,188,672
Community Services	137,907	82,888
Extracurricular Activities	750,720	751,313
Debt Service:		
Principal Retirement	3,930,915	986,655
Interest and Fiscal Charges	192,768	172,716
Total Program Cash Disbursements	<u>33,521,793</u>	<u>29,053,494</u>
Change in Net Position	720,965	1,014,823
Net Position at Beginning of Year	561,219	(816,765)
Restatement, See Note 19	-	363,161
Net Position at End of Year	<u>\$ 1,282,184</u>	<u>\$ 561,219</u>

Charges for Sales and Services decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in food service charges and extracurricular charges as a result of the COVID-19 pandemic.

Grants and Entitlements increased in comparison with the prior fiscal year. This increase is primarily the result of grant receipts related to the COVID-19 pandemic.

**Northern Local School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)

Principal Retirement disbursements increased significantly in comparison with the prior fiscal year. This increase is the result of the payment of \$3.0 million in tax anticipation notes during the current fiscal year as well as principal payments made during the fiscal year for other long-term bonds.

The Statement of Activities shows the cost of program services, and the charges for services and sales and grants and the contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services for the current and preceding fiscal years. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
Cash Disbursements				
Instruction	\$ 17,744,536	\$ 14,429,189	\$ 16,807,707	\$ 14,116,769
Support Services	9,532,755	7,961,041	9,063,543	8,729,025
Operation of Food Service	1,232,192	(110,048)	1,188,672	76,292
Community Services	137,907	160	82,888	(40,142)
Extracurricular Activities	750,720	414,533	751,313	338,634
Debt Service:				
Principal Retirement	3,930,915	3,930,915	986,655	986,655
Interest and Fiscal Charges	192,768	192,768	172,716	172,716
<b>Total Cash Disbursements</b>	<b>\$ 33,521,793</b>	<b>\$ 26,818,558</b>	<b>\$ 29,053,494</b>	<b>\$ 24,379,949</b>

The dependence upon tax receipts and unrestricted state entitlements is apparent as approximately 81 percent of instruction activities are supported through taxes and other general receipts.

Approximately 45 percent of extracurricular activities disbursements are covered by program cash receipts. This is primarily a result of athletic fees, ticket sales, gate receipts and contributions.

**Northern Local School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)

**The District Funds**

The District's funds are accounted for using the cash basis of accounting. The District's governmental funds had total cash receipts and other financing sources, of approximately \$34.2 million and total cash disbursements and other financing uses, of \$34.0 million. The excess of cash receipts over cash disbursements for the governmental funds totaled \$271,360.

The schedule below indicates the cash fund balances and the total change in fund balances as of June 30, 2021 for all of the major and non-major governmental funds.

Table 4  
Fund Balance Analysis

	<u>June 30, 2021</u>	<u>Restated June 30, 2020</u>	<u>Increase (Decrease)</u>
Major Funds:			
General	\$ (947,533)	\$ 232,184	\$ (1,179,717)
Bond Retirement	534,952	322,728	212,224
Permanent Improvement	1,462,360	202,194	1,260,166
Endowment Fund	266,700	267,956	(1,256)
OFCC Project Fund	159,272	159,272	-
District Managed Activity Fund	183,066	208,760	(25,694)
Other Governmental funds	<u>(109,390)</u>	<u>(115,027)</u>	<u>5,637</u>
Total	<u>\$ 1,549,427</u>	<u>\$ 1,278,067</u>	<u>\$ 271,360</u>

The fund balance of the General Fund decreased during the fiscal year. This decrease is primarily the result of an increase in principal retirement disbursements made during the fiscal year.

The fund balance of the Bond Retirement Fund increased during the fiscal year. This increase represents the amount in which property taxes and related intergovernmental receipts exceeded debt service expenditures.

The fund balance of the Permanent Improvement Fund also increased during the fiscal year. This increase is primarily the result of tax anticipation notes issued during the fiscal year, totaling \$2.4 million.

The fund balance of the Endowment Fund decreased during the fiscal year. This decrease is primarily the result of fiscal expenditures exceeding related scholarship receipts.

The fund balance of the District Managed Activity Fund also decreased during the fiscal year. This decrease is primarily the result of extracurricular activity expenditures exceeding related receipts.

**Northern Local School District, Ohio**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2021  
 (Unaudited)

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2021, the District amended its general fund budget. The District closely monitors its resources and uses and if necessary, modifies the budgetary documents on a timely basis.

The District's final estimated receipts were less than the original estimated receipts by \$830,804, primarily as a result of a decrease in the estimate of tax anticipation note receipts during the fiscal year. Actual receipts exceeded final estimated receipts by \$117. The District's original appropriations exceeded the final appropriations by \$370,137. This decrease was primarily a result of a decrease in the transfers and advances to other governmental funds. The variance between actual budgetary expenditures and final appropriations was zero.

**Debt Administration**

At June 30, 2021, the District had \$6.3 million in debt outstanding, which is a \$1.6 million increase in debt from the prior period.

Table 5  
 Outstanding Debt at Fiscal Year End

	Principal Outstanding 6/30/2021	Principal Outstanding 6/30/2020
<b>Governmental Activities</b>		
Construction & Improvement		
Refunding Bonds	\$ 1,230,000	\$ 1,615,000
Mature 10/2023; 1.00%-3.50%		
Permanent Improvement		
Tax Anticipation Notes	-	225,000
Matured 12/2020; 1.00%-4.50%		
Energy Conservation Bonds		
Mature 12/2028; 1.00%-4.00%	1,130,000	1,255,000
House Bill 264 Energy Conservation Note		
Mature 12/2032; 2.87%	1,580,420	1,694,919
Permanent Improvement		
Tax Anticipation Notes		
Mature 12/2025; 2.71%	2,400,000	-
	<u>\$ 6,340,420</u>	<u>\$ 4,789,919</u>

**Northern Local School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)

**Economic Factors**

The District's current five-year forecast is projecting sufficient receipts for fiscal year 2022 through 2024 with positive ending cash balances of \$394,166, \$794,169, and \$358,933, respectively.

To achieve the aforementioned projected cash balances, the Board of Education and administration of the District must continue to maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's, 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 any questions about this report or need additional financial information contact Elizabeth Clark, Treasurer, at Northern Local District, 8700 Sheridan Drive, Thornville, Ohio 43076. Or, E-mail the Treasurer at [eclark@nlsd.k12.oh.us](mailto:eclark@nlsd.k12.oh.us).



**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*STATEMENT OF NET POSITION - CASH BASIS*  
*JUNE 30, 2021*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,282,184
<i>Total Assets</i>	<i>\$ 1,282,184</i>
 <b>Net Position</b>	
Restricted for:	
Capital Outlay	\$ 1,633,370
Debt Service	534,952
Other Purposes	266,894
Food Service	278
Extracurricular Activities	223,060
State and Federal Grants	38,822
Recreation	70
Unrestricted	(1,415,262)
<i>Total Net Position</i>	<i>\$ 1,282,184</i>

See accompanying notes to the basic financial statements.

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**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*STATEMENT OF ACTIVITIES - CASH BASIS*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2021*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 12,132,893	\$ 1,011,171	\$ 1,011,643	\$ (10,110,079)
Special	3,736,168	310,236	787,619	(2,638,313)
Vocational	363,109	30,175	-	(332,934)
Other	1,512,366	123,838	40,665	(1,347,863)
Support Services:				
Pupils	1,179,961	-	592,577	(587,384)
Instructional Staff	753,041	-	483,824	(269,217)
Board of Education	150,626	-	-	(150,626)
Administration	1,971,027	-	125,875	(1,845,152)
Fiscal Services	894,851	-	-	(894,851)
Operation and Maintenance	2,491,077	-	318,926	(2,172,151)
Pupil Transportation	1,924,654	-	41,512	(1,883,142)
Central	167,518	-	9,000	(158,518)
Food Service Operations	1,232,192	73,916	1,268,324	110,048
Community Services	137,907	-	137,747	(160)
Extracurricular Activities	750,720	336,187	-	(414,533)
Debt Service:				
Principal Retirement	3,930,915	-	-	(3,930,915)
Interest and Fiscal Charges	192,768	-	-	(192,768)
<i>Totals</i>	<u>\$ 33,521,793</u>	<u>\$ 1,885,523</u>	<u>\$ 4,817,712</u>	<u>(26,818,558)</u>

**General Receipts**

Property Taxes Levied for:	
General Purposes	8,326,369
Capital Outlay	1,675,246
Debt Service	592,145
Grants and Entitlements not Restricted to Specific Programs	13,214,820
Tax Anticipation Notes Issued	3,400,000
Investment Earnings	4,062
Sale of Capital Assets	2,880
Other Receipts	324,001
<i>Total General Receipts</i>	<u>27,539,523</u>
<i>Change in Net Position</i>	720,965
<i>Net Position Beginning of Year, as Restated</i>	<u>561,219</u>
<i>Net Position End of Year</i>	<u>\$ 1,282,184</u>

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES*  
*GOVERNMENTAL FUNDS*  
*JUNE 30, 2021*

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Endowment Fund
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ (947,533)	\$ 534,952	\$ 1,462,360	\$ 266,700
<i>Total Assets</i>	<u>\$ (947,533)</u>	<u>\$ 534,952</u>	<u>\$ 1,462,360</u>	<u>\$ 266,700</u>
<b>Fund Balances</b>				
Restricted	\$ -	\$ 534,952	\$ 1,462,360	\$ 266,700
Assigned	155,646	-	-	-
Unassigned	(1,103,179)	-	-	-
<i>Total Fund Balances</i>	<u>\$ (947,533)</u>	<u>\$ 534,952</u>	<u>\$ 1,462,360</u>	<u>\$ 266,700</u>

See accompanying notes to the basic financial statements.

OFCC Project Fund	District Managed Student Activity Fund	Other Governmental Funds	Total Governmental Funds
\$ 159,272	\$ 183,066	\$ (109,390)	\$ 1,549,427
<u>\$ 159,272</u>	<u>\$ 183,066</u>	<u>\$ (109,390)</u>	<u>\$ 1,549,427</u>
\$ 159,272	\$ 183,066	\$ 91,096	\$ 2,697,446
-	-	-	155,646
-	-	(200,486)	(1,303,665)
<u>\$ 159,272</u>	<u>\$ 183,066</u>	<u>\$ (109,390)</u>	<u>\$ 1,549,427</u>

See accompanying notes to the basic financial statements.

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**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities - Cash Basis*  
*JUNE 30, 2021*

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**Total Governmental Fund Balances** \$ 1,549,427

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

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

(267,243)

*Net Position of Governmental Activities*

\$ 1,282,184

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN*  
*CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2021*

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Endowment Fund
<b>Receipts</b>				
Property Taxes	\$ 8,326,369	\$ 592,145	\$ 1,675,246	\$ -
Intergovernmental	12,979,377	68,876	166,567	-
Interest	3,854	-	-	-
Tuition and Fees	1,475,420	-	-	-
Extracurricular Activities	85,861	-	-	-
Charges for Services	-	-	-	-
Miscellaneous	297,203	-	-	26,798
<i>Total Receipts</i>	<u>23,168,084</u>	<u>661,021</u>	<u>1,841,813</u>	<u>26,798</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	11,040,476	-	344,117	-
Special	3,009,090	-	-	-
Vocational	368,515	-	-	-
Other	1,471,947	-	-	-
Support Services:				
Pupils	354,570	-	218,193	-
Instructional Staff	255,945	-	-	-
Board of Education	150,626	-	-	-
Administration	1,888,075	-	1	-
Fiscal	817,493	14,491	40,169	28,054
Operation and Maintenance of Plant	888,335	-	1,289,447	-
Pupil Transportation	1,396,106	-	531,243	-
Central	158,518	-	-	-
Operation of Food Services	402	-	-	-
Community Services	-	-	-	-
Extracurricular Activities	419,683	-	-	-
Debt Service:				
Principal Retirement	3,081,416	385,000	464,499	-
Interest and Fiscal Charges	49,484	49,306	93,978	-
<i>Total Disbursements</i>	<u>25,350,681</u>	<u>448,797</u>	<u>2,981,647</u>	<u>28,054</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,182,597)</u>	<u>212,224</u>	<u>(1,139,834)</u>	<u>(1,256)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Assets	2,880	-	-	-
Tax Anticipation Note Issued	1,000,000	-	2,400,000	-
<i>Total Other Financing Sources (Uses)</i>	<u>1,002,880</u>	<u>-</u>	<u>2,400,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(1,179,717)	212,224	1,260,166	(1,256)
<i>Fund Balances Beginning of Year, as Restated</i>	232,184	322,728	202,194	267,956
<i>Fund Balances End of Year</i>	<u>\$ (947,533)</u>	<u>\$ 534,952</u>	<u>\$ 1,462,360</u>	<u>\$ 266,700</u>

See accompanying notes to the basic financial statements.



OFCC Project Fund	District Managed Student Activity Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 10,593,760
-	-	4,817,712	18,032,532
-	-	208	4,062
-	-	-	1,475,420
-	226,103	24,223	336,187
-	-	73,916	73,916
-	-	-	324,001
-	226,103	4,916,059	30,839,878
-	-	964,265	12,348,858
-	-	779,643	3,788,733
-	-	-	368,515
-	-	40,419	1,512,366
-	-	621,438	1,194,201
-	-	506,902	762,847
-	-	-	150,626
-	-	129,061	2,017,137
-	-	-	900,207
-	-	341,716	2,519,498
-	-	41,766	1,969,115
-	-	9,000	167,518
-	-	1,256,616	1,257,018
-	-	140,356	140,356
-	251,797	79,240	750,720
-	-	-	3,930,915
-	-	-	192,768
-	251,797	4,910,422	33,971,398
-	(25,694)	5,637	(3,131,520)
-	-	-	2,880
-	-	-	3,400,000
-	-	-	3,402,880
-	(25,694)	5,637	271,360
159,272	208,760	(115,027)	1,278,067
\$ 159,272	\$ 183,066	\$ (109,390)	\$ 1,549,427

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, CASH  
DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 271,360

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

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements). 449,605

*Change in Net Position of Governmental Activities* \$ 720,965

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCE*  
*BUDGET AND ACTUAL (NON\_GAAP BUDGETARY BASIS)*  
*GENERAL FUND*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$ 8,489,148	\$ 8,326,369	\$ 8,326,369	\$ -
Intergovernmental	12,769,440	12,979,377	12,979,377	-
Interest	1,302	3,849	3,854	5
Tuition and Fees	1,348,593	1,475,395	1,475,420	25
Miscellaneous	307,307	297,116	297,203	87
<i>Total Receipts</i>	<u>22,915,790</u>	<u>23,082,106</u>	<u>23,082,223</u>	<u>117</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	11,066,497	11,060,845	11,060,845	-
Special	2,479,928	3,015,644	3,015,644	-
Vocational	370,300	369,049	369,049	-
Other	1,701,411	1,474,656	1,474,656	-
Support Services:				
Pupils	651,042	356,731	356,731	-
Instructional Staff	786,834	262,040	262,040	-
Board of Education	183,544	151,025	151,025	-
Administration	2,040,271	1,901,173	1,901,173	-
Fiscal	827,015	823,795	823,795	-
Operation and Maintenance of Plant	2,136,294	906,258	906,258	-
Pupil Transportation	1,553,788	1,406,266	1,406,266	-
Central	224,862	158,518	158,518	-
Extracurricular Activities	357,020	332,536	332,536	-
Food Service Operations	2,953	402	402	-
Debt Service:				
Principal Retirement	-	3,081,416	3,081,416	-
Interest and Fiscal Charges	-	49,484	49,484	-
<i>Total Disbursements</i>	<u>24,381,759</u>	<u>25,349,838</u>	<u>25,349,838</u>	<u>-</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,465,969)</u>	<u>(2,267,732)</u>	<u>(2,267,615)</u>	<u>117</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Assets	-	2,880	2,880	-
Tax Anticipation Notes Issued	2,000,000	1,000,000	1,000,000	-
Advances Out	(147,942)	-	-	-
Transfers Out	(450,000)	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>1,402,058</u>	<u>1,002,880</u>	<u>1,002,880</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(63,911)	(1,264,852)	(1,264,735)	117
<i>Fund Balance Beginning of Year</i>	8,253	8,253	8,253	-
Prior Year Encumbrances Appropriated	153,305	153,305	153,305	-
<i>Fund Balance End of Year</i>	<u>\$ 97,647</u>	<u>\$ (1,103,294)</u>	<u>\$ (1,103,177)</u>	<u>\$ 117</u>

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCE*  
*BUDGET AND ACTUAL (NON\_GAAP BUDGETARY BASIS)*  
*ENDOWMENT FUND*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2021*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Miscellaneous	\$ 56,341	\$ 26,798	\$ 26,798	\$ -
<i>Total Receipts</i>	<u>56,341</u>	<u>26,798</u>	<u>26,798</u>	<u>-</u>
<b>Disbursements</b>				
Support Services:				
Fiscal	14,800	43,654	43,654	-
<i>Total Disbursements</i>	<u>14,800</u>	<u>43,654</u>	<u>43,654</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	41,541	(16,856)	(16,856)	-
<i>Fund Balance Beginning of Year</i>	253,156	253,156	253,156	-
Prior Year Encumbrances Appropriated	<u>14,800</u>	<u>14,800</u>	<u>14,800</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 309,497</u>	<u>\$ 251,100</u>	<u>\$ 251,100</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCE*  
*BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)*  
*DISTRICT MANAGED STUDENT ACTIVITY*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Extracurricular Activities	\$ 390,325	\$ 225,883	\$ 226,103	\$ 220
<i>Total Receipts</i>	<u>390,325</u>	<u>225,883</u>	<u>226,103</u>	<u>220</u>
<b>Disbursements</b>				
Current:				
Extracurricular Activities	548,599	308,900	288,691	20,209
<i>Total Disbursements</i>	<u>548,599</u>	<u>308,900</u>	<u>288,691</u>	<u>20,209</u>
<i>Net Change in Fund Balance</i>	(158,274)	(83,017)	(62,588)	20,429
<i>Fund Balance Beginning of Year</i>	162,360	162,360	162,360	-
Prior Year Encumbrances Appropriated	<u>46,400</u>	<u>46,400</u>	<u>46,400</u>	-
<i>Fund Balance End of Year</i>	<u>\$ 50,486</u>	<u>\$ 125,743</u>	<u>\$ 146,172</u>	<u>\$ 20,429</u>

See accompanying notes to the basic financial statements.

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**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*STATEMENT OF FUND NET POSITION - CASH BASIS*  
*PROPRIETARY FUND*  
*JUNE 30, 2021*

	Governmental Activities
	Internal Service Fund
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ (267,243)
<i>Total Assets</i>	<i>\$ (267,243)</i>
 <b>Net Position</b>	
Unrestricted	\$ (267,243)
<i>Total Net Position</i>	<i>\$ (267,243)</i>

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT**  
**PERRY COUNTY, OHIO**  
*STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS*  
*AND CHANGES IN FUND NET POSITION - CASH BASIS*  
*PROPRIETARY FUND*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2021*

	Governmental Activities - Internal Service Fund
<b>Operating Receipts</b>	
Charges for Services	\$ 6,244,981
Miscellaneous	633,412
<i>Total Operating Receipts</i>	6,878,393
<b>Operating Disbursements</b>	
Claims	4,457,956
Administration	1,970,832
<i>Total Operating Disbursements</i>	6,428,788
<i>Change in Net Position</i>	449,605
<i>Net Position Beginning of Year</i>	(716,848)
<i>Net Position End of Year</i>	\$ (267,243)

See accompanying notes to the basic financial statements.



**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 1 - Description of the District and Reporting Entity**

The Northern Local 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 federal guidelines.

The Northern Local School District of Perry County was established on June 10, 1968 by the State of Ohio as a public school system. The District is a consolidated school district made up from three original high schools in the area, Glenford, Somerset, and Thornville, combined now to be Sheridan High School. The District is located in three counties, Perry, Licking, and Fairfield, serving an area of approximately 173 square miles. The District is staffed by 234 certificated and non-certificated employees who provide services to 2,171 students and other community members. The District currently operates five instructional buildings, one administrative building, and one support service building.

*Reporting Entity*

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District participates in two jointly governed organizations, and one insurance purchasing pool. These organizations are the Metropolitan Educational Technology Association (META), the Central Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers Compensation Group Rating Plan. These organizations are presented in Notes 12 and 13 to the basic financial statements.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.A, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

***A. Basis of Accounting***

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

***B. Basis of Presentation***

The District's basic financial statements prepared on the cash basis of accounting include government-wide statements, including a cash basis statement of net position and a statement of activities, and cash basis fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements.*** The Statement of Net Position and Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The District does not have any business-type activities.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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The statement of net position presents the cash and investment balances of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Cash receipts which are not classified as program cash receipts are presented as general receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the District.

**Fund Financial Statements.** The District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**C. Fund Accounting**

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

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The following is a description of the District's major governmental funds:

**General Fund** – used to account for all financial resources except those required to be accounted for in another fund.

**Bond Retirement Fund** - used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Permanent Improvement Fund** - used to account for all transactions related to acquiring, constructing, or improving permanent improvements.

**Endowment Fund** - used to account for restricted contributions and donations. The funds may not be spent for District purposes, but the District has administrative involvement.

**OFCC Project Fund** – used to account for the accumulation of resources for, and the payment of, the Ohio Facilities Construction Commission project.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***District-Managed Student Activities Fund*** – used to account for those student activity programs which have student participation in the activity but do not have student management of the programs. This fund would usually include athletic programs but could also include the band, cheerleaders, flag corps, and other similar types of activities.

The Districts' Other Governmental Funds primarily account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District uses an internal service fund to account for medical/surgical and dental insurance which the District self-insures.

***D. Cash and Investments***

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as equity in pooled cash and investments on the financial statements.

During the fiscal year, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts recorded by the District during fiscal year 2021 amounted to \$4,062, of which \$3,854 and \$208 was recorded in the General Fund and Other Governmental Funds, respectively.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***E. Budgetary Data***

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The General Fund, Endowment Fund, and District Managed Student Activities Fund "Statements of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)" have been presented at the function level for comparative purposes.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

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

***F. Inventory and Prepaid Items***

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***G. Capital Assets***

Capital assets are not recognized in any of the District's funds in accordance with the cash basis of accounting. Instead, capital acquisition and construction costs are reflected as cash disbursements in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

***H. Interfund Receivables/Payables***

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

***I. Compensated Absences***

Employees are entitled to vacation, sick, and personal leave benefits that are recorded when cash is disbursed. A liability for any unused benefits is not recorded on the District's cash basis financial statements.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***J. Long-Term Obligations***

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

***K. Net Position***

Net position are recorded in conjunction with assets recorded by the District. Net position is reported as restricted when there are limitations imposed on their use either through 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. None of the District's restricted net position are the result of enabling legislation.

***L. Interfund Activity***

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements 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 cash disbursements to the funds that initially paid for them are not presented on the financial statements.

***M. Fund Balances***

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

Restricted - resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Assigned - resources that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - residual fund balance within the General Fund not classified elsewhere above and all other governmental fund balances which have a negative fund balance.

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

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***N. Operating Cash Receipts and Cash Disbursements***

Operating cash receipts are those cash receipts that are generated directly from the primary activity of the proprietary fund. For the District, these cash receipts are charges for services for self-insurance programs. Operating cash disbursements are necessary costs incurred to provide the service that is the primary activity of the fund.

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

***P. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had no restricted assets at year-end.

***Q. Employer Contributions to Cost-Sharing Pension Plans***

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions consist of pension and postretirement health care benefits.

***R. Deferred Outflows and Inflows of Resources***

The District's cash basis financial statements do not report deferred outflows and inflows of resources. The District recognizes the disbursement for deferred outflows when they are paid and proceeds of deferred inflows are reported when cash is received.

***S. Pensions/Other Postemployment Benefits (OPEB)***

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

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 3 – Compliance**

**A. Financial Statement Reporting**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**B. Negative Cash**

The District had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds, contrary to Ohio Revised Codes Section 5705.10:

	<u>Amount</u>
General	(\$947,533)
Internal Service	(267,243)
21 <sup>st</sup> Century	(2,549)
IDEA, Part B Spec. Education	(165,002)
Title I	(32,935)

**Note 4 - Deposits and Investments**

Monies held by the District are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.



**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Certain banker's acceptance (for a period not to exceed one hundred eighty days) and commercial paper noted (for a period not to exceed two hundred seventy days) in amount not to exceed 40 percent of the interim monied available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 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.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Deposits** Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of all District deposits was \$1,278,370, and the bank balance was \$1,467,827. Of the District’s bank balance, \$288,616 was covered by Federal Deposit Insurance (FDIC) and the remaining balance was uninsured and uncollateralized. The District’s financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Investments** The District has adopted a formal investment policy. The primary objective of the policy is the preservation of principal. To meet this objective, portfolio diversification is established and maintained with a goal of generating portfolio income that exceeds any losses in individual security values.

At June 30, 2021, the District had the following investments:

	Value	Maturity in Years		Percent to Total
		Less than 1	1 to 3	
STAROhio	\$ 3,814	\$ 3,814	-	100.00%

**Interest Rate Risk** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

**Credit Risk** The District currently has no policy in place regarding credit risk. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2021, is 54 days and carries a rating of AAAM by S&P Global Ratings.

**Concentration of Credit Risk** The District places no limit on the amount that may be invested in any one issuer.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 5 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually.

If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Perry, Licking and Fairfield County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which property taxes were collected are:

	2020 Second- Half Collections		2021 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$330,033,911	79.51%	\$315,980,610	77.80%
Public Utility Personal	85,063,890	20.49%	90,174,260	22.20%
<b>Total</b>	<b>\$415,097,801</b>	<b>100.00%</b>	<b>\$406,154,870</b>	<b>100.00%</b>
Full Tax rate per \$1,000 of assessed valuation	\$34.30		\$34.30	

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 6 - Risk Management**

**A. Property and Liability** - 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 2021, the District contracted with Netherlands Insurance Company for property, builder's risk, liability, and fleet insurances.

Coverage provided is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$102,131,659
Equipment (\$500 deductible)	2,141,208
Employee Dishonesty (\$5,000 deductible)	1,000,000
Fleet Insurance	1,000,000
Educational General Liability	
Per occurrence	1,000,000
Aggregate per year	2,000,000
Employee Benefits Liability (\$1,000 deductible)	
Per occurrence	1,000,000
Aggregate per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage in fiscal year 2021 from fiscal year 2020.

**B. Workers Compensation** - For fiscal year 2021, the District participated in the Ohio School Board Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all 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. Participation in the GRP is limited to Districts and libraries that can meet the GRP's selection criteria.

**C. Self-Insurance** - During the fiscal year, 234 employees of the District were covered by the District's medical/surgical and dental self-insurance Plan (the "Plan"). The District contributed approximately 90% per month per employee to the Plan and employees authorized payroll withholdings to pay their share of the premium which was approximately 10% per month. Total premiums paid into the internal service fund of the District were \$6,244,981 of which the District paid \$5,618,766 while the employees were responsible for the remaining portion.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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At June 30, 2021 the self-insurance balance was (\$267,243). A comparison of the internal service fund cash and investments to the actuarially-measured liability as of June 30, 2021 follows:

	2021	2020
Cash and investments	(\$267,243)	(\$716,848)
Claims liabilities at June 30	\$603,000	\$563,522

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability (Asset)***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The District’s contractually required contribution to SERS was \$412,872 for fiscal year 2021.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit plan unfunded liability. A member is eligible to receive a monthly retirement benefit at age 50 and termination of employment. The member may elect to receive a lump-sum withdrawal.

The Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member’s DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll effective July 1, 2016. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,527,432 for fiscal year 2021.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.08643400%	0.08856331%	
Prior Measurement Date	<u>0.08451230%</u>	<u>0.08809337%</u>	
Change in Proportionate Share	<u>0.00192170%</u>	<u>0.00046994%</u>	
Proportionate Share of the Net Pension Liability	5,716,927	21,429,170	27,146,097

***Actuarial Assumptions - SERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2130.



**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	7,831,492	5,716,927	3,942,767

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation, are presented below:

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

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

**Discount Rate.** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the District's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	30,511,407	21,429,170	13,732,730

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 8 - DEFINED BENEFIT OPEB PLANS**

The net OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

See Note 7 for a description of the net OPEB liability (asset).

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

Health Care Plan Description – The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was \$48,440.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements were discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.08584400%	0.08856300%
Prior Measurement Date	0.08590600%	0.08809300%
Change in Proportionate Share	-0.00006200%	0.00047000%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,865,675	\$ (1,556,493)

***Actuarial Assumptions - SERS***

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

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate	
Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	\$ 2,283,535	\$ 1,865,675	\$ 1,533,470
		<u>Current Trend Rate</u>	
	<u>1% Decrease</u>	<u>1% Increase</u>	
District's Proportionate Share of the Net OPEB Liability	\$ 1,469,074	\$ 1,865,675	\$ 2,396,023

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2020 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.



**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2020, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,354,250)	\$ (1,556,493)	\$ (1,728,089)
		<u>Current Trend Rate</u>	
	<u>1% Decrease</u>	<u>1% Increase</u>	
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,717,438)	\$ (1,556,493)	\$ (1,360,439)

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**Note 9 - Long Term Obligations**

The changes in the District's long-term obligations during the fiscal year consist of the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Government Activities</b>					
Construction & Improvement					
Refunding Bonds					
Mature 10/2023; 1.00%-3.50%	\$ 1,615,000	\$ -	\$ 385,000	\$ 1,230,000	\$ 400,000
Permanent Improvement					
Tax Anticipation Notes					
Mature 12/2020; 1.00%-4.50%	225,000	-	225,000	-	-
2013 Energy Conservation Bonds					
Mature 12/2028; 1.00%-4.00%	1,255,000	-	125,000	1,130,000	125,000
House Bill 264 Energy Conservation Note					
Mature 12/2032; 2.87%	1,694,919	-	114,499	1,580,420	117,808
Permanent Improvement					
Tax Anticipation Notes					
Mature 12/2025; 2.71%	-	2,400,000	-	2,400,000	480,000
Total	<u>\$ 4,789,919</u>	<u>\$ 2,400,000</u>	<u>\$ 849,499</u>	<u>\$ 6,340,420</u>	<u>\$ 1,122,808</u>

During fiscal year 2012, the District issued \$4,194,997 in Construction & Improvement Refunding Bonds which consisted of \$4,100,000 in serial bonds and \$94,997 in capital appreciation bonds. The capital appreciation bonds matured on October 1, 2018. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. The maturity amount of these bonds was \$370,000.

The Construction & Improvement Refunding Bonds were issued to refund the outstanding balance of the School Facilities Construction Bonds (\$4,195,000). This refunding was undertaken to take advantage of lower interest rates. The total debt service payments were reduced by \$460,607 and the present value of this reduction resulted in an economic gain of \$386,857. These bonds are direct obligations of the District for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property within the District.

During fiscal year 2012, the District also issued \$2,000,000 in Permanent Improvement Tax Anticipation Notes. The proceeds of the notes were used for permanent improvements made by the District. These notes were special obligations of the District for which the receipts of a 4.2 mill permanent improvement levy were pledged and paid from taxes levied on all taxable property within the District.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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On November 14, 2013, the District issued \$1,915,947 in energy conservation improvement bonds which consisted of \$960,000 in serial bonds, \$875,000 in term bonds, and \$80,947 in capital appreciation bonds. The capital appreciation bonds matured on December 1, 2016.

On June 30, 2017, the District entered into a note with Huntington Bank for \$2,021,857 for the acquisition and installment of energy management measures in five District school buildings. The note will mature on December 15, 2032.

During fiscal year 2021, the District issued \$2,400,000 in Permanent Improvement Tax Anticipation Notes. The proceeds of the notes are used for permanent improvements made by the District. These notes are special obligations of the District for which the receipts of a 4.2 mill permanent improvement levy are pledged and are paid from taxes levied on all taxable property within the District.

Debt service requirements to maturity on the debt, principal and interest, are as follows:

Fiscal Year Ending June 30	Principal	Interest
2022	\$ 1,122,808	\$ 180,305
2023	1,141,214	149,333
2024	1,159,717	114,416
2025	748,322	86,261
2026	752,032	64,503
2027-2031	1,179,662	120,174
2032-2033	236,665	6,824
	<u>\$6,340,420</u>	<u>\$721,816</u>

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 10 – Lease Obligations**

The District has entered into capitalized leases for copiers and buses.

Due to the District reporting on the cash basis of accounting, the accompanying copiers and buses are not reflected as assets and liabilities within the accompanying financial statements. Principal and interest payments associated with outstanding lease obligations are paid by the General Fund and the Permanent Improvement Fund.

In fiscal year 2021, the District made lease payments totaling \$81,416 in principal and \$3,048 in interest.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30	Principal	Interest
2022	\$ 85,223	\$ 16,372
2023	61,695	11,243
2024	36,070	6,412
2025	16,357	1,343
	\$ 199,345	\$ 35,370

**Note 11 - Short Term Obligations**

The changes in the District’s short-term obligations during the fiscal year consist of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Government Activities</b>				
Tax Anticipation Notes	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -
Tax Anticipation Notes	-	1,000,000	1,000,000	-
Total	\$ 2,000,000	\$ 1,000,000	\$ 3,000,000	\$ -

During fiscal year 2020, the District issued \$2,000,000 in short-term tax anticipation notes. The proceeds of the notes were used for the purposes for which the revenues are collected and appropriated. The notes were paid back by the end of the fiscal year.

During fiscal year 2021, the District issued \$1,000,000 in short-term tax anticipation notes. The proceeds of the notes were used for the purposes for which the revenues are collected and appropriated. The notes were paid back by the end of the fiscal year.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 12 - Jointly Governed Organizations**

***A. Metropolitan Educational Technology Association***

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. Financial information can be obtained from META's Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

***B. Central Ohio Special Education Regional Resource Center***

The Central Ohio Special Educational Regional Resource Center (COSERRC) provides special education services at a regional level and assists Districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. There is no financial commitment by the District for its participation in the projects. The District has one representative on the governing board. The District did not make any contributions to COSERRC during the fiscal year. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

**Note 13 – Insurance Purchasing Pools**

***Ohio School Boards Association Workers' Compensation Group Rating Plan***

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 14 - Contingencies**

**A. Grants** The District received financial assistance from federal and state agencies in the form of grants. The cash disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at fiscal year-end.

**B. Litigation** There are currently no matters in litigation with the District as defendant.

**C. Foundation Funding** District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments have been finalized. The impact of the FTE adjustments were not material to the 2021 financial statements.

**Note 15 - 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 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 describes the changes in the year end capital Acquisition set-aside:

Set-aside Reserve Balance	
as of June 30, 2020	\$ -
Current Year Set-aside Requirement	407,444
Current Year Offsets	(1,841,813)
Qualifying Disbursements	-
Total	<u>\$ (1,434,369)</u>

Although the District had qualifying offsets during the fiscal year that reduced the set-aside amount below zero for the capital improvements set-aside, this amount may not be used to reduce the set aside requirement of future years. The negative balance is therefore not presented as being carried forward to future fiscal years.

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**Note 16 – Contractual Commitments**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds	
General Fund	\$ 86,306
Permanent Improvement Fund	343,735
Endowment Fund	15,600
OFCC Improvement Fund	12,479
District-Managed Student Activities	36,891
Other Governmental Funds	<u>97,293</u>
Total Governmental Funds	<u><u>592,304</u></u>

**Note 17 – Classification of Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned based primarily on the extent to which the District is bound to observe constraints upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General	Bond Retirement	Permanent Improvement	Endowment	OFCC Project	District Managed Student Activities	Other Governmental	Total
Restricted for:								
Debt Service	\$ -	\$ 534,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 534,952
Capital Projects	-	-	1,462,360	-	159,272	-	11,738	1,633,370
Food Service	-	-	-	-	-	-	278	278
Local Sources	-	-	-	266,700	-	-	194	266,894
Recreation	-	-	-	-	-	-	70	70
Extracurricular Activities	-	-	-	-	-	183,066	39,994	223,060
State and Federal Grants	-	-	-	-	-	-	38,822	38,822
Total Restricted	<u>-</u>	<u>534,952</u>	<u>1,462,360</u>	<u>266,700</u>	<u>159,272</u>	<u>183,066</u>	<u>91,096</u>	<u>2,697,446</u>
Assigned for:								
Encumbrances:								
Instruction	30,170	-	-	-	-	-	-	30,170
Support Services	56,136	-	-	-	-	-	-	56,136
Public School Support	69,340	-	-	-	-	-	-	69,340
Total Assigned	<u>155,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,646</u>
Unassigned	<u>(1,103,179)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,486)</u>	<u>(1,303,665)</u>
Total Fund Balance	<u>\$ (947,533)</u>	<u>\$ 534,952</u>	<u>\$ 1,462,360</u>	<u>\$ 266,700</u>	<u>\$ 159,272</u>	<u>\$ 183,066</u>	<u>\$ (109,390)</u>	<u>\$ 1,549,427</u>

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 18 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Change in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund, Endowment Fund, and District Managed Activity Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference between the budgetary basis and the cash basis is outstanding fiscal year-end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted or assigned fund balance (cash basis). In addition, differences may exist based on fund type reporting criteria between the cash basis financial statements and budgetary basis financial statements. The budgetary comparison information presented at June 30, 2021 for the General Fund represents the legally adopted budget for the General Fund without modification for any other funds combined with the General Fund for reporting purposes. The District’s Public School Support Fund is presented as part of the District’s General Fund in the fiscal year-end financial statements.

	General Fund	Endowment Fund	District Managed Student Activity Fund
Change in Fund Balance	\$(1,179,717)	\$ (1,256)	\$ (25,694)
Public School Support Fund	1,286	-	-
Encumbrances	(86,304)	(15,600)	(36,894)
Change in Fund Balance - Budgetary Basis	\$(1,264,735)	\$ (16,856)	\$ (62,588)

**Note 19 – Implementation of New Accounting Principles and Restatement of Net Position/Fund Balances**

For the fiscal year ended June 30, 2021, the District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*, and certain provisions of GASB Statement No. Statement No. 93, *Replacement of Interbank Offered Rates*.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District reviewed its funds for proper classification, and any fund reclassifications resulted in the restatement of the District’s financial statements (see below).



**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the District.

***Restatement of Net Position/Fund Balances***

The implementation of GASB 84 had the following effect on net position as reported June 30, 2020:

	<u>Governmental Activities</u>
Net Position, June 30, 2020	\$ 198,058
GASB Statement No. 84	<u>363,161</u>
Restated Net Position, June 30, 2020	<u>\$ 561,219</u>

The implementation of GASB 84 had the following effect on fund balance as reported June 30, 2020:

	<u>Scholarship Endowments</u>	<u>Other Governmental Funds</u>
Fund Balance (Deficit), June 30, 2020	\$ -	\$ (210,232)
GASB Statement No. 84	<u>267,956</u>	<u>95,205</u>
Restated Fund Balance (Deficit), June 30, 2020	<u>\$ 267,956</u>	<u>\$ (115,027)</u>

The implementation of GASB 84 had the following effect on fiduciary net position as reported June 30, 2020:

	<u>Fiduciary Funds</u>	
	<u>Private Purpose Trust</u>	<u>Agency</u>
Net Position, June 30, 2020	\$ 268,150	\$ 95,011
GASB Statement No. 84	<u>(268,150)</u>	<u>(95,011)</u>
Restated Net Position, June 30, 2020	<u>\$ -</u>	<u>\$ -</u>

**Northern Local School District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 20 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**Note 21 – Subsequent Event**

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the District were funded to the District who, in turn, made the payment to the respective school. For fiscal year 2021, the District reported \$549,575 in revenue and expenditures/expense related to these programs.

Pursuant to Ohio Revised Code 5705.391, the Ohio Department of Education is to determine if a school district has the potential to incur a deficit during the first three years of the school district's five-year forecast. The Ohio Department of Education examined the District's fall 2021 five-year forecast submission and found a forecasted deficit in Year 3 (FY24) in the amount of \$126,611. As of December 15, 2021, the District is considered to be in a "precautionary" financial state.

**Note 22 – Fiscal Distress**

At fiscal year-end, the cash balance in the District's General Fund was negative \$947,533. On May 19, 2022 the District approved the Forecast Correction Plan to reduce general fund expenditures, improve the five year forecast in years 3, 4 & 5 and eliminate deficits. During fiscal year 2021 the District was able to reduce the deficit in the Self-Insurance Fund from negative \$716,848 to negative \$267,243. The District will continue to evaluate the self-insurance plans to identify additional areas of savings.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>FEDERAL GRANTOR Pass-Through Grantor Program/Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through Ohio Department of Education:</b>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
School Breakfast Program	10.553	2020/2021	\$36,158
National School Lunch Program	10.555	2020/2021	47,930
Non-Cash Assistance (Food Distribution) Subtotal			<u>84,088</u>
Cash Assistance:			
School Breakfast Program	10.553	2020/2021	476,894
COVID-19 School Breakfast Program	10.553	2020/2021	70,865
National School Lunch Program	10.555	2020/2021	619,294
COVID-19 National School Lunch Program	10.555	2020/2021	90,723
Cash Assistance Subtotal			<u>1,257,776</u>
Total Child Nutrition Cluster			<u>1,341,864</u>
Total U.S. Department of Agriculture			1,341,864
<b>U.S. DEPARTMENT OF TREASURY</b>			
<b>Passed Through Ohio Department of Education:</b>			
COVID-19 Coronavirus Relief Fund - Rural and Small Town SD	21.019	2021	139,425
COVID-19 Coronavirus Relief Fund - Broadband Ohio Connectivity Grant	21.019	2021	141,042
Total U.S. Department of Treasury			280,467
<b>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>			
<b>Passed through State Library of Ohio:</b>			
COVID-19 Grants to States	45.310	N/A	3,000
Total U.S. Institute of Museum and Library Services			3,000
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Passed Through Ohio Department of Education:</b>			
Title I Grants to Local Educational Agencies	84.010	2021	406,136
Special Education Cluster:			
Special Education Grants to States	84.027	2021	478,681
Total Special Education Cluster			
Twenty-First Century Community Learning Centers	84.287	2020 2021	33,750 443,599
Total Twenty-First Century Community Learning Centers			<u>477,349</u>
Supporting Effective Instruction State Grants	84.367	2021	71,451
Student Support and Academic Enrichment Program	84.424	2021	19,534
COVID-19 Elementary and Secondary School Relief Fund - ESSER	84.425D	2021	170,276
COVID-19 Elementary and Secondary School Relief Fund - ESSER II		2021	1,245,272
Total COVID-19 Elementary and Secondary School Emergency Relief Fund			<u>1,415,548</u>
Total U.S. Department of Education			<u>2,868,699</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$4,494,030</u></u></b>

The accompanying notes are an integral part of this Schedule.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Northern Local School District, Perry County (the District), under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



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

Northern Local School District  
Perry County  
8700 Sheridan Road NW  
Thornville, Ohio 43076

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis-financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 7, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement (GASB) No. 84, *Fiduciary Activities*. Additionally, we noted the District is experiencing financial difficulties due to negative fund balances. In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2021-004 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under Government Auditing Standards which are described in the accompanying Schedule of Findings as items 2021-001 through 2021-004.

***District's Response to Findings***

The District's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

July 7, 2022

# OHIO AUDITOR OF STATE KEITH FABER



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

Northern Local School District  
Perry County  
8700 Sheridan Road NW  
Thornville, Ohio 43076

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Northern Local School District's, Perry County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Northern Local School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal programs.

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

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

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

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

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

### ***Opinion on the Major Federal Programs***

In our opinion, the Northern Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2021.

***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Keith Faber  
Auditor of State  
Columbus, Ohio

July 7, 2022



**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Child Nutrition Cluster – #10.553 and #10.555</li> <li>• COVID-19 Elementary and Secondary School Emergency Relief Fund - #84.425D</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

**FINDING NUMBER 2021-001**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)**

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

**FINDING NUMBER 2021-001 (Continued)**

**Noncompliance (Continued)**

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:** See Corrective Action Plan.

**FINDING NUMBER 2021-002**

**Noncompliance**

**Ohio Rev. Code § 5705.10(I)** requires that money paid into any fund shall be used only for the purposes for which such fund is established.

**Ohio Rev. Code § 3315.20** provides a school district may have a deficit in any special fund of the school district only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit;
- There is a reasonable likelihood that the payment will be made; and
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds.

The District had the following negative fund balances at month-end for the selected dates after taking into consideration the conditions above:

<u>Date</u>	<u>Fund (No.)</u>	<b>Negative Fund Balance</b>
July 31, 2020	General (001)	\$96,834
	Food Service (006)	258,999
	Self-Insurance (024)	430,005
	IDEA FY 20 (516)	211,051
	Title I FY 20 (572)	84,239
	ESSER FY 20-21 (507)	27,803
	21st Century (599)	31,547
November 30, 2020	General (001)	1,178,303
	Food Service (006)	116,583

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)**

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

**FINDING NUMBER 2021-002 (Continued)**

**Noncompliance (Continued)**

Date	Fund (No.)	Negative Fund Balance
March 31, 2020	General (001)	131,554
	Food Service (006)	205,793
	Self Insurance (024)	65,709
	ESSER (507)	640,541
	IDEA (516)	157,616
	Title I (572)	33,999
June 30, 2020	General (001) (after audit adjustment)	947,531
	Self Insurance (024)	267,243
	IDEA FY 21 (516)	165,002
	Title I FY 21 (572)	32,935

The aforementioned conditions were not met as sufficient outstanding requests were not in place to cover the deficit balances. In addition, the General Fund was not always able to cover the deficits of the other special funds. Negative fund balances could result in the use of restricted receipts for unallowable purposes. Procedures and controls should be implemented to identify those funds that may potentially develop a negative balance.

The Treasurer should monitor activity in the funds to ensure that money paid into funds are only being used for the purposes for which such funds are established.

**Officials' Response:** See Corrective Action Plan.

**FINDING NUMBER 2021-003**

**Noncompliance**

**Ohio Rev. Code § 9.833** states such funds shall be reserved as are necessary, in the exercise of sound and prudent actuarial judgment, to cover potential cost of health care benefits for the officers and employees of the political subdivision. A certified audited financial statement and a report of amounts so reserved and disbursements made from such funds, together with a written report of a member of the American Academy of Actuaries certifying whether the amounts reserved conform to the requirements of this division, are computed in accordance with accepted loss reserving standards, and are fairly stated in accordance with sound loss reserving principles, shall be prepared and maintained, within ninety days after the last day of the fiscal year of the entity for which the report is provided for that fiscal year, in the office of the program administrator described in division (C)(3) of this section.

The actuarial report was provided indicating the minimum requirements under their interpretation of § 9.833 of the Ohio Revised Code were not satisfied.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2021-003 (Continued)**

**Noncompliance (Continued)**

Based upon the actuarial report, as determined based upon analysis of historic claims data and generally accepted actuarial principles, as of June 30, 2021, the District's reported reserved funds available to pay Incurred But Not Reported (IBNR) claims were \$517 and estimated IBNR claims were \$603,000. Funds were not reserved as necessary to cover potential cost of health care benefits for the officers and employees of the District.

The Board of Education should address self-insurance rates and perform appropriate adjustments as needed to ensure that the District has the required reserved funds available to cover current claims and incurred but not reported claims.

**Officials' Response:** See Corrective Action Plan.

**FINDING NUMBER 2021-004**

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 133.24(D)** provides that, except for capitalized interest, debt charges on tax anticipation notes are payable only from the revenue collected by the tax levy anticipated.

We noted the District paid off the short term tax anticipation note (TAN), issued in November of 2020, in the amount of \$1,000,000 in principal and \$7,850 in interest from the Permanent Improvement Fund instead of the General Fund. The debt payments should have been made from the General Fund from which the tax levy receipts are posted.

As a result, adjustments, with which the District's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

The District should ensure their payment of debt is made from the appropriate fund.

**Officials' Response:** See Corrective Action Plan.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**4. OTHER – FINDINGS FOR RECOVERY**

In addition, we identified the following other issue related to a Findings for Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

**FINDING NUMBER 2021-005**

**Finding for Recovery – Repaid Under Audit**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Furthermore, a well-designed system of internal controls should contain procedures to ensure transfers of funds are made in a timely manner to alleviate any possibility of overdraft fees.

During 2021, the District incurred \$5,425 in overdraft fees on the District’s payroll account. These overdraft fees were due to manual ACH transfers made throughout the year from the District’s PNC regular and clearing account to the Commodore payroll account in amounts less than the amounts needed to fulfill the commitments, made after the payment of withholdings, or made after payroll was already processed. Overdraft fees were incurred by the District for 11 out of the 12 months in fiscal year 2021. The overdraft fees paid by the District serve no proper public purpose and could have been avoided had the transfers been made in a timely manner.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Elizabeth Clark, Treasurer, in the amount of \$5,425, and in favor of the District’s General Fund.

On June 14, 2022, \$5,425 was repaid to the District’s General Fund on receipt number 58141.

The District should make timely transfers to ensure overdraft fees are not incurred.

**Officials’ Response:** We did not receive a response from Officials to this finding.



# Northern Local Schools

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 8700 Sheridan Road NW  
 Thornville, Ohio 43076  
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 Fax: (740) 743-3301  
 Website: <http://www.nlsd.k12.oh.us>

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) June 30, 2021

### Superintendent

Angela Gussler

### Treasurer

Elizabeth Clark  
 (740) 743-1623

### Curriculum Director

Clinton Rhodes

### EMIS

Kelly Wright

### Special Education

Amber Daly

### Technology Coordinator

Phillip Jones

### Sheridan High School

Lisa Householder, Principal  
 (740) 743-1335

### Sheridan Middle School

Ed Wolfel, Principal  
 (740) 743-1315

### Glenford Elementary

Lori, Tussing, Principal  
 (740) 659-2209

### Somerset Elementary

Amy VanBalen, Principal  
 (740) 743-1454

### Thornville Elementary

Jay Hickman, Principal  
 (740) 246-6636

### Maintenance

George Helsler, Supervisor  
 (740) 743-1303

### Transportation

Dale Factor, Supervisor  
 (740) 743-1533

### Board Members

Dale DeRolph  
 Nancy Fox  
 Patrick Hogan  
 Megan Miller  
 Sharon Cains

Finding Number	Finding Summary	Status	Additional Information
2020-001	A material noncompliance citation was issued under Ohio Rev. Code Section 117.137 and Ohio Admin. Code Section 117-2-03 (b) for not preparing the annual financial report pursuant to generally accepted accounting principles. The District has always reported following the cash basis.	Not Corrected	Expenditure for this not justifiable.
2020-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.10 (I) for having negative fund balances. This finding was first reported in the fiscal year 2011 audit.	Not Corrected	District will take measures to ensure to monitor fund balances.
2020-003	A material noncompliance citation was issued under Ohio Rev. Code Section 9.833 for not having the minimum required reserve to cover potential cost of health care. The finding was first reported in the fiscal year 2017 audit.	Not Corrected	District has during the 21-22 year accumulated a balance to cover the IBNR due to the changes in rates and plan.



# Northern Local Schools

Administrative Offices  
8700 Sheridan Road NW  
Thornville, Ohio 43076  
Phone: (740) 743-1303  
Fax: (740) 743-3301  
Website: <http://www.nlsd.k12.oh.us>

## Superintendent

Angela Gussler

## Treasurer

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## CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

June 30, 2021

**Finding Number:** 2021-001

**Planned Corrective Action:** District has elected to not file annual financial reports on a generally accepted accounting principles basis due to the cost prohibitive nature of both the report and the additional audit fees.

**Anticipated Completion Date:** N/A

**Responsible Contact Person:** Treasurer

**Finding Number:** 2021-002

**Planned Corrective Action:** District will monitor activity in funds to ensure that monies paid is only being used for the purposes for which the funds are established.

**Anticipated Completion Date:** 6/30/22

**Responsible Contact Person:** Treasurer

**Finding Number:** 2021-003

**Planned Corrective Action:** District will review rates and make appropriate adjustments as needed to ensure that required funding is available to cover the claims. During the 2021-2022 year the District has accumulated a balance to cover the IBNR due to changes in rates and plan.

**Anticipated Completion Date:** 6/30/22

**Responsible Contact Person:** Treasurer

**Finding Number:** 2021-004

**Planned Corrective Action:** District will make sure that transfers are made timely as funds are available and are attempting to pass a levy to ensure a positive cash position.

**Anticipated Completion Date:** 6/30/22

**Responsible Contact Person:** Treasurer

# OHIO AUDITOR OF STATE KEITH FABER



**NORTHERN LOCAL SCHOOL DISTRICT**

**PERRY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 7/21/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)