



OHIO AUDITOR OF STATE
KEITH FABER



**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2022**

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**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

Norton City School District
Summit County
4128 Cleveland-Massillon Road
Norton, Ohio 44203

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norton City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Norton City School District, Summit County, Ohio as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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

March 17, 2023

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Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

This discussion and analysis of Norton City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- Net position of governmental activities increased \$5,615,468 from fiscal year 2021.
- General revenues accounted for \$25,006,050 in revenue or 78.7% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$6,762,886 or 21.3% of total revenues of \$31,768,936.
- The School District had \$26,153,468 in expenses related to governmental activities; only \$6,762,886 of these expenses was offset by program specific revenues that include charges for services, operating grants, contributions and interest and capital grants and contributions. General revenues of \$25,006,050 were able to cover these programs.
- The School District had three major governmental funds, the general fund, the bond retirement debt service fund, and the permanent improvement capital projects fund. The general fund's balance increased \$2,718,973 to balance of \$3,804,470 at June 30, 2022. The bond retirement fund balance decreased \$22,573 due to an increase in expenditures. The permanent improvement fund's balance decreased \$107,809 as there were capital expenditures. Please see the further discussion below.

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 Norton City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

In the case of the School District, the general fund, the bond retirement debt service fund and the permanent improvement capital projects fund are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2022?" These statements include all non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis, of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole the financial position of the School 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 School District's current 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 School District's activities are considered to be all Governmental Activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental funds are the general fund, the bond retirement debt service fund and the permanent improvement capital projects fund.

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

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2022, the School District had an increase in net position of \$5,615,468.

Table 1 provides a summary of the School District's net position for 2022 compared to 2021:

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Assets		
Current and other assets	\$ 21,454,119	\$ 18,240,558
Net OPEB asset	1,936,890	1,652,423
Capital assets, net of depreciation	<u>37,224,592</u>	<u>37,782,665</u>
Total assets	<u>60,615,601</u>	<u>57,675,646</u>
Deferred outflows of resources		
Deferred charge on refunding	778,277	819,018
Pension	5,873,926	4,937,585
OPEB	<u>619,921</u>	<u>761,453</u>
Total deferred outflow of resources	<u>7,272,124</u>	<u>6,518,056</u>
Liabilities		
Current and other liabilities	2,655,212	2,222,201
Long-term liabilities:		
Due within one year	568,906	590,840
Due in more than one year:		
Net pension liability	15,351,410	29,549,132
Net OPEB liability	1,905,595	2,316,300
Other amounts	<u>23,864,815</u>	<u>24,176,186</u>
Total liabilities	<u>44,345,938</u>	<u>58,854,659</u>
Deferred inflows of resources		
Deferred charge on refunding	171,921	183,233
Property taxes	10,336,249	10,191,007
Pension	13,010,913	789,279
OPEB	<u>3,717,017</u>	<u>3,485,305</u>
Total deferred inflow of resources	<u>27,236,100</u>	<u>14,648,824</u>
Net Position		
Net investment in capital assets	15,228,666	15,468,538
Restricted	3,002,178	2,798,966
Unrestricted (deficit)	<u>(21,925,157)</u>	<u>(27,577,285)</u>
Total net position	<u>\$ (3,694,313)</u>	<u>\$ (9,309,781)</u>

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Net investment in capital assets, reported on the government-wide statements represents a large component of net position. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles, all of which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$3,002,178, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$ 1,109,844 is restricted for capital projects, \$783,861 is restricted for debt service, \$681,435 is restricted for food services, and \$427,038 is restricted for other purposes. The remaining balance of net position is a deficit of \$21,925,157 and is unrestricted.

The net pension liability is the largest single liability reported by the School District at June 30, 2022.

The School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual other postemployment benefits (OPEB) expense for their proportionate share of each plan's change in net pension liability and net OPEB liability or asset, respectively, not accounted for as deferred inflows/outflows.

In addition to the \$1,027,990 negative expense reported for changes in net Pension and OPEB liability, asset and related inflows/outflows, the School District is reporting a negative expense in the amount of \$2,206,367 for contractually required contributions in the net OPEB and pension liability for fiscal year 2022.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Table 2 shows changes in net position for fiscal year 2022 compared to fiscal year 2021:

Table 2
Changes in Net Position

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,819,595	\$ 5,558,264
Operating grants, contributions and interest	4,943,291	3,093,352
General revenues:		
Property taxes	10,757,139	10,724,897
Income taxes	1,921,725	1,593,692
Grants and entitlements	12,306,776	9,200,246
Investment earnings	2,393	3,804
Miscellaneous	18,017	23,373
Total revenues	<u>31,768,936</u>	<u>30,197,628</u>
Program Expenses		
Instruction:		
Regular	10,334,443	12,620,030
Special	3,350,349	3,559,521
Vocational	591,368	652,694
Adult/continuing	9,370	7,751
Student intervention services	77,480	369,557
Support services:		
Pupils	2,526,129	2,417,393
Instructional staff	413,823	860,099
Board of education	42,984	39,755
Administration	1,639,325	1,821,265
Fiscal	620,355	578,146
Business	317,421	248,569
Operation and maintenance of plant	2,171,956	2,437,191
Pupil transportation	1,282,954	1,271,257
Central	84,086	92,028
Operation non-instructional services:		
Operation of food services	1,091,538	860,087
Community services	3,163	3,938
Extracurricular activities	801,240	795,165
Interest and fiscal charges	795,484	1,041,092
Total expenses	<u>26,153,468</u>	<u>29,675,538</u>
Change in net position	5,615,468	522,090
Net position beginning of year	<u>(9,309,781)</u>	<u>(9,831,871)</u>
Net position end of year	<u>\$ (3,694,313)</u>	<u>\$ (9,309,781)</u>

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2022
 Unaudited

Governmental Activities

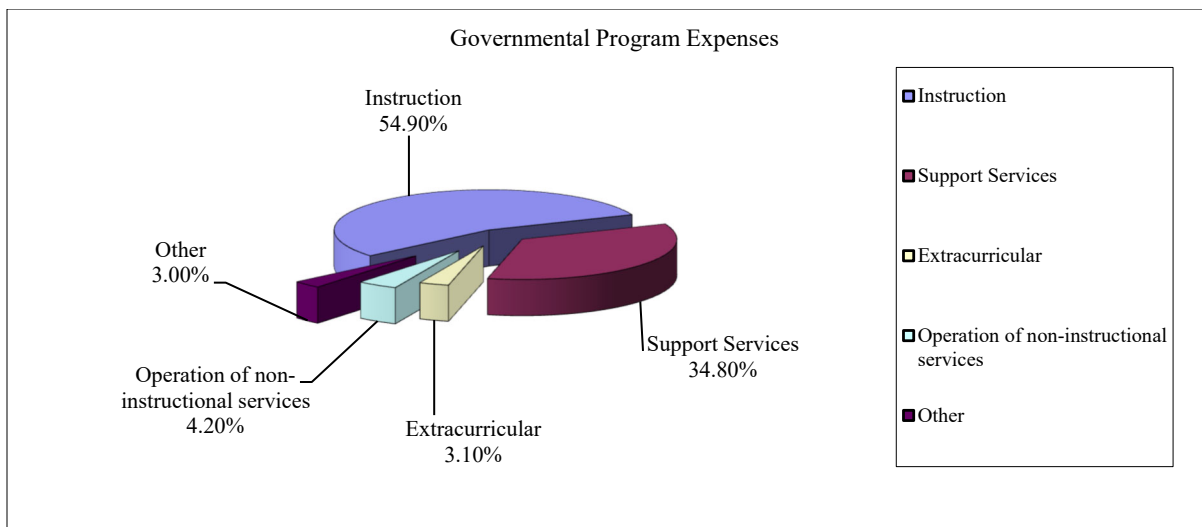
Norton City School District depends on both property taxes and State funding.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$10.7 million in 2022. Income tax generated over \$1.9 million. General revenues from grants and entitlements, such as the school foundation program, generated over \$12.3 million. Due to the combination of taxes and intergovernmental funding representing 78.7% of all revenues, the School District monitors both of these sources very closely for fluctuations.

A review of Table 2 reflects that the total cost of instructional services was \$14,363,010, or 54.9% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. As compared to the prior year, these expenses decreased \$2,846,543, or 16.5%. The reason for this decrease was due to decreased costs related to regular and special instruction compared to the prior year. This decrease is due to significant net pension and net OPEB changes for the current fiscal year.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent \$2,939,952 of the total governmental program expenses, or 11.2%. These expenses decreased over the prior year in the amount of \$337,540 or 10.3% again, due to significant net pension and net OPEB changes for the current fiscal year.

Below is a graphical display of the program expenses in a more aggregate total than the table above.



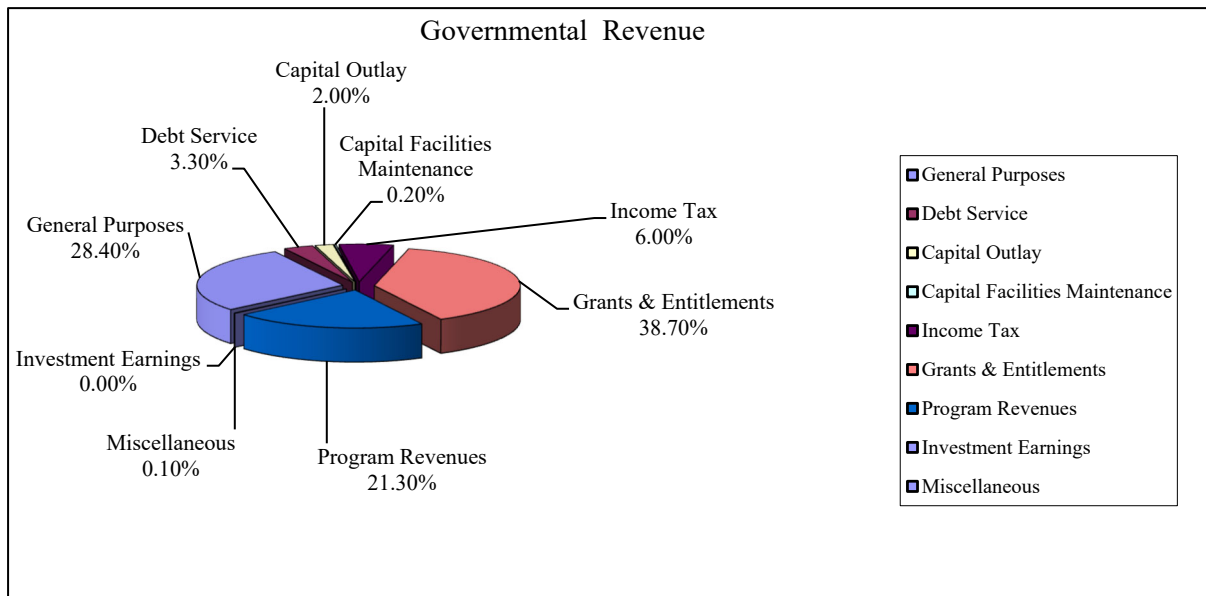
Board of Education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,620,085 or 10.0% of governmental program expenses.

Norton City School District

Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District’s operations. The total cost for the operation and maintenance services was \$2,171,956, or 8.3% of the governmental program expenses. Expenses for providing this program decreased \$265,235, or 10.9% as compared to the prior year.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,282,954, or 4.9% of the total governmental program expenses. Expenses for providing this program increased \$11,697, or 0.9% as compared to the prior year.



Program revenues include charges for services, grants, contributions and interest that are program specific. Property taxes made up 33.9% of total revenues for governmental activities for the Norton City Schools in fiscal year 2022 while program revenues for governmental activities provided 21.3% of governmental revenues. The property revenue is reported by the purpose of the levy, such as; general purpose, debt service, capital outlay and capital facilities maintenance. The 38.7% provided by the grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920. Income tax represents 6.0%.

As a result of implementing the accounting standard for pension and OPEB, the School District is reporting a significant net pension liability, net OPEB liability, related deferred inflows of resources and an increase in pension expense for the fiscal year which have a negative effect on net position. In addition, the School District is reporting a net OPEB asset, deferred outflows of resources and a decrease in expenses related to OPEB, which have a positive impact on net position. The increase and decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability or asset that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the School District’s net position, additional information is presented in Table 3.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Table 3
Impact of GASB 68 and GASB 75 on net position

<u>Account Description</u>	<u>2022</u>	<u>2021</u>
Deferred outflows - pension	\$ 5,873,926	\$ 4,937,585
Deferred outflows - OPEB	619,921	761,453
Deferred inflows - pension	(13,010,913)	(789,279)
Deferred inflows - OPEB	(3,717,017)	(3,485,305)
Net pension liability	(15,351,410)	(29,549,132)
Net OPEB asset	1,936,890	1,652,423
Net OPEB liability	<u>(1,905,595)</u>	<u>(2,316,300)</u>
Impact of GASB 68 and GASB 75 on net position	<u>\$ (25,554,198)</u>	<u>\$ (28,788,555)</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$31,976,187 and total expenditures and other financing uses were \$29,202,300. The net change in fund balance for governmental funds was an increase of \$2,773,887. This overall increase in fund balance was mainly due to revenues exceeding expenditures. This was mainly do from the increase in intergovernmental revenue and property tax revenue that is related to the change in the amount in available in advance.

Table 4
Change in Fund Balance

<u>Fund</u>	<u>Fund Balance June 30, 2022</u>	<u>Fund Balance June 30, 2021</u>	<u>Increase (Decrease)</u>
General	\$ 3,804,470	\$ 1,085,497	\$ 2,718,973
Bond retirement	833,515	856,088	(22,573)
Permanent improvement	1,058,307	1,166,116	(107,809)
Other governmental	954,416	769,120	185,296
Total	<u>\$ 6,650,708</u>	<u>\$ 3,876,821</u>	<u>\$ 2,773,887</u>

General Fund

The School District's general fund balance increased by \$2,718,973 during the fiscal year. The increase in fund balance in the general fund was mainly the result of increased property taxes and intergovernmental revenues. Property taxes fluctuate based on the amount available as an advance from year to year. In addition, expenditures remained primarily flat from 2021 to 2022. The tables that follow assist in illustrating the financial activities and fund balance of the general fund.

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2022
 Unaudited

Table 5
 General Fund - Change in Revenue

	2022	2021	Percent
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
Property taxes	\$ 9,065,518	\$ 8,683,873	4.39%
Income taxes	1,897,633	1,605,756	18.18%
Intergovernmental	13,518,801	9,628,418	40.41%
Interest	2,393	3,804	(37.09%)
Tuition and fees	1,565,661	4,866,703	(67.83%)
Extracurricular activities	92,407	76,641	20.57%
Gifts and donations	86,955	11,688	643.97%
Charges for services	170	49,033	(99.65%)
Rent	5,515	3,670	50.27%
Miscellaneous	52,942	22,490	135.40%
Total	<u>\$ 26,287,995</u>	<u>\$ 24,952,076</u>	

Overall revenues within the general fund increased \$1,335,919 for the fiscal year. This is due mainly to an increase in property tax, income taxes and intergovernmental revenue for the current fiscal year.

The table that follows assists in illustrating the expenditures of the general fund.

Table 6
 General Fund - Change in Expenditures by Type

	2022	2021	Percent
<u>Expenditures</u>	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
Instruction	\$ 14,178,109	\$ 15,156,728	(6.46%)
Support services	8,784,315	7,811,900	12.45%
Operation of non-instructional services	-	3,404	(100.00%)
Extracurricular activities	505,405	491,309	2.87%
Capital outlay	21,165	-	n/a
Debt service	20,028	33,311	(39.88%)
Total	<u>\$ 23,509,022</u>	<u>\$ 23,496,652</u>	

Expenditures increased \$12,230 from the prior year. This increase is mainly due to decreased costs related to instruction.

Bond Retirement Fund

The bond retirement fund balance decreased \$22,573 due to an increase in debt service related payments for 2022.

Norton City School District

Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Permanent Improvement Fund

The School District’s permanent improvement fund balance decreased by \$107,809, this was due to the total expenditures exceeding total revenues. Expenditures exceeded revenues primarily from significant capital purchases from this fund.

General Fund Budgeting Highlights

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

For the general fund, the original budgeted revenue and other financing source estimate was \$25,191,453. This amount was changed during the year, resulting in a final revenue budget of \$26,017,606. Actual revenue and other financing sources reported was \$25,937,532 which is \$746,079 greater than the original budgeted amounts.

The original expenditures and other financing uses estimate of \$26,712,864 was revised slightly over the course of the fiscal year. The final budgeted expenditures and other financing uses were \$27,458,945, which was an increase of \$746,081 or 2.7 percent over the original budget. Actual expenditures, including encumbrances and other financing uses were under budget by \$4,038,809. This was the result of conservative spending by the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the School District had \$37,224,592 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 7 shows fiscal year 2022 balances compared to fiscal year 2021:

Table 7
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 1,259,263	\$ 1,259,263
Land improvements	1,591,634	1,642,704
Buildings and improvements	31,538,664	31,878,011
Furniture and equipment	1,976,381	2,075,734
Vehicles	<u>858,650</u>	<u>926,953</u>
Total capital assets	<u>\$ 37,224,592</u>	<u>\$ 37,782,665</u>

Norton City School District

Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The total decrease in the value of capital assets, as compared to the prior year, is due primarily to the current year’s depreciation exceeding current year additions. Significant additions for the current fiscal year included roof replacements, new maintenance equipment and truck. See Note 8 to the basic financial statements for detail on the School District’s capital assets.

Debt

At June 30, 2022, the School District had \$23,119,536 in bonds (including unamortized bond premium and bond accretion) with \$450,000 due within one year. Table 8 summarizes the debt outstanding:

Table 8
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
General obligation bonds	\$ 23,119,536	\$ 23,427,490
Financed purchase	-	19,555
Total outstanding debt	<u>\$ 23,119,536</u>	<u>\$ 23,447,045</u>

The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. The financed purchase was paid from the general fund, which the School District has budgeted to meet these requirements.

See Note 12 & 13 to the basic financial statements for detail on the School District’s long-term obligations.

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges. These challenges stem from issues that are at the local and State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State’s educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District’s system of budgeting and internal controls is well regarded. All of the School District’s financial abilities will be needed to meet the challenges of the future.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions or need additional financial information, contact Stephanie Hagenbush, Treasurer/Chief Fiscal Officer of the Norton City School District, 4128 South Cleveland Massillon Road, Norton, Ohio 44203 by phone (330) 825-2114 or e-mail shagenbush@nortonschools.org.

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Norton City School District
Statement of Net Position
June 30, 2022

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 7,533,956
Receivables:	
Property taxes	11,706,790
Income taxes	783,940
Accounts	41,614
Intergovernmental	1,319,815
Inventory held for resale	18,941
Materials and supplies inventory	49,063
Net OPEB asset	1,936,890
Capital assets:	
Land	1,259,263
Depreciable capital assets	50,143,316
Accumulated depreciation	(14,177,987)
Total capital assets	<u>37,224,592</u>
Total assets	<u>60,615,601</u>
<u>Deferred outflows of resources</u>	
Deferred charge on refunding	778,277
Pension	5,873,926
OPEB	619,921
Total deferred outflows of resources	<u>7,272,124</u>
<u>Liabilities:</u>	
Accounts payable	239,551
Accrued wages	1,926,189
Intergovernmental payable	350,432
Matured compensated absences payable	20,004
Unearned revenue	15,204
Accrued interest payable	103,832
Long-term liabilities:	
Due within one year	568,906
Due in more than one year:	
Net pension liability	15,351,410
Net OPEB liability	1,905,595
Other amounts due in more than one year	23,864,815
Total liabilities	<u>44,345,938</u>
<u>Deferred inflows of resources</u>	
Deferred charge on refunding	171,921
Property taxes	10,336,249
Pension	13,010,913
OPEB	3,717,017
Total deferred inflows of resources	<u>27,236,100</u>
<u>Net position:</u>	
Net investment in capital assets	15,228,666
Restricted for:	
Capital projects	1,109,844
Debt service	783,861
Food services	681,435
Other purposes	427,038
Unrestricted (deficit)	(21,925,157)
Total net position	<u>\$ (3,694,313)</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2022

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Revenue and
				Changes in
				Net Position
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 10,334,443	\$ 485,552	\$ 887,071	\$ (8,961,820)
Special	3,350,349	957,940	848,298	(1,544,111)
Vocational	591,368	4,665	204,399	(382,304)
Adult/continuing	9,370	-	-	(9,370)
Student intervention services	77,480	-	-	(77,480)
Support services:				
Pupils	2,526,129	9,300	1,195,362	(1,321,467)
Instructional staff	413,823	-	29,850	(383,973)
Board of education	42,984	-	-	(42,984)
Administration	1,639,325	28,095	3,570	(1,607,660)
Fiscal	620,355	-	-	(620,355)
Business	317,421	-	129,331	(188,090)
Operation and maintenance of plant	2,171,956	5,515	11,166	(2,155,275)
Pupil transportation	1,282,954	-	70,243	(1,212,711)
Central	84,086	-	-	(84,086)
Operation of non-instructional services:				
Operation of food services	1,091,538	60,497	1,548,954	517,913
Community services	3,163	-	-	(3,163)
Extracurricular activities	801,240	268,031	15,047	(518,162)
Interest and fiscal charges	795,484	-	-	(795,484)
Total governmental activities	<u>\$ 26,153,468</u>	<u>\$ 1,819,595</u>	<u>\$ 4,943,291</u>	<u>(19,390,582)</u>

General Revenues:

Property taxes levied for:

General purposes	9,016,008
Debt service	1,038,376
Capital outlay	647,752
Capital facilities maintenance	55,003
Income taxes levied for general purposes	1,921,725
Grants and entitlements not restricted to specific program:	12,306,776
Investment earnings	2,393
Miscellaneous	18,017
Total general revenues	<u>25,006,050</u>

Change in net position 5,615,468

Net position at beginning of year (9,309,781)

Net position at end of year \$ (3,694,313)

See accompanying notes to the basic financial statements.

Norton City School District
Balance Sheet
Governmental Funds
June 30, 2022

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 4,495,280	\$ 751,044	\$ 1,060,463	\$ 1,158,412	\$ 7,465,199
<u>Receivables:</u>					
Property taxes	9,893,900	1,034,868	778,022	-	11,706,790
Income taxes	783,940			-	783,940
Accounts	41,614	-	-	-	41,614
Intergovernmental	1,210,814	-	-	109,001	1,319,815
Interfund	60,000	-	-	-	60,000
Inventory held for resale	-	-	-	18,941	18,941
Materials and supplies inventory	49,063	-	-	-	49,063
Advances to other funds	50,411	-	-	-	50,411
Total assets	<u>\$ 16,585,022</u>	<u>\$ 1,785,912</u>	<u>\$ 1,838,485</u>	<u>\$ 1,286,354</u>	<u>\$ 21,495,773</u>
<u>Liabilities, deferred inflows of resources and fund balances:</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 174,997	\$ -	\$ 59,836	\$ 4,718	\$ 239,551
Accrued wages	1,810,225	-	-	115,964	1,926,189
Matured compensated absences payable	20,004	-	-	-	20,004
Intergovernmental payable	313,792	-	-	36,640	350,432
Unearned revenue	-	-	-	15,204	15,204
Advances from other funds	-	-	-	50,411	50,411
Total liabilities	<u>2,319,018</u>	<u>-</u>	<u>59,836</u>	<u>222,937</u>	<u>2,601,791</u>
<u>Deferred inflows of resources</u>					
Property taxes	8,755,580	898,219	682,450	-	10,336,249
Unavailable revenue - delinquent property taxes	451,316	54,178	37,892	-	543,386
Unavailable revenue - other	1,254,638	-	-	109,001	1,363,639
Total deferred inflows of resources	<u>10,461,534</u>	<u>952,397</u>	<u>720,342</u>	<u>109,001</u>	<u>12,243,274</u>
<u>Fund balances:</u>					
Nonspendable	99,474	-	-	-	99,474
Restricted	-	833,515	1,058,307	1,097,999	2,989,821
Committed	11,000	-	-	-	11,000
Assigned	3,637,339	-	-	-	3,637,339
Unassigned (deficit)	56,657	-	-	(143,583)	(86,926)
Total fund balances	<u>3,804,470</u>	<u>833,515</u>	<u>1,058,307</u>	<u>954,416</u>	<u>6,650,708</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,585,022</u>	<u>\$ 1,785,912</u>	<u>\$ 1,838,485</u>	<u>\$ 1,286,354</u>	<u>\$ 21,495,773</u>

See accompanying notes to the basic financial statements.

Norton City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2022

Total governmental funds balances \$ 6,650,708

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 37,224,592

Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:

Property taxes	\$	543,386	
Income taxes		145,089	
Tuition and fees		1,108,561	
Intergovernmental		109,989	
Total		1,907,025	1,907,025

The net pension and net OPEB liability are not due and payable in the current period; the net OPEB asset is not a financial resource; therefore, the asset, liability and related deferred inflows/outflows are not reported in the funds:

Deferred outflows - pension		5,873,926	
Deferred inflows - pension		(13,010,913)	
Net pension liability		(15,351,410)	
Deferred outflows - OPEB		619,921	
Deferred inflows - OPEB		(3,717,017)	
Net OPEB liability		(1,905,595)	
Net OPEB asset		1,936,890	
Total		(25,554,198)	(25,554,198)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 8,757

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (103,832)

Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:

Refunding general obligation bonds	\$	(21,329,923)	
Premium and accretion on bonds		(1,789,613)	
Unamortized cost of refunding - outflow		778,277	
Unamortized cost of refunding - inflow		(171,921)	
Compensated absences		(1,314,185)	
Total		(23,827,365)	(23,827,365)

Net position of governmental activities \$ (3,694,313)

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 9,065,518	\$ 1,044,513	\$ 651,910	\$ 55,003	\$ 10,816,944
Income taxes	1,897,633	-	-	-	1,897,633
Intergovernmental	13,518,801	26,584	91,855	3,449,004	17,086,244
Interest	2,393	-	-	42	2,435
Tuition and fees	1,565,661	-	-	-	1,565,661
Extracurricular activities	92,407	-	-	205,447	297,854
Gifts and donations	86,955	-	-	32,062	119,017
Charges for services	170	-	-	60,497	60,667
Rent	5,515	-	-	-	5,515
Miscellaneous	52,942	-	-	11,275	64,217
Total revenues	26,287,995	1,071,097	743,765	3,813,330	31,916,187
Expenditures:					
Current:					
Instruction:					
Regular	10,482,587	-	173,180	604,592	11,260,359
Special	2,986,827	-	-	731,074	3,717,901
Vocational	621,845	-	-	10,761	632,606
Adult/continuing	9,370	-	-	-	9,370
Student intervention services	77,480	-	-	-	77,480
Support services:					
Pupils	2,148,031	-	-	673,358	2,821,389
Instructional staff	446,039	-	4,127	30,742	480,908
Board of education	42,984	-	-	-	42,984
Administration	1,869,903	-	937	4,287	1,875,127
Fiscal	653,801	19,863	14,073	-	687,737
Business	137,830	-	-	150,128	287,958
Operation and maintenance of plant	2,048,007	-	76,566	47,054	2,171,627
Pupil transportation	1,333,897	-	-	10,770	1,344,667
Central	103,823	-	-	-	103,823
Operation of non-instructional services:					
Operation of food services	-	-	-	1,128,107	1,128,107
Community services	-	-	-	3,163	3,163
Extracurricular activities	505,405	-	-	232,112	737,517
Capital outlay	21,165	-	582,691	61,886	665,742
Debt service:					
Principal retirement	19,555	450,000	-	-	469,555
Interest and fiscal charges	473	623,807	-	-	624,280
Total expenditures	23,509,022	1,093,670	851,574	3,688,034	29,142,300
Excess of revenues over (under) expenditures	2,778,973	(22,573)	(107,809)	125,296	2,773,887
Other financing sources (uses):					
Transfers in	-	-	-	60,000	60,000
Transfers out	(60,000)	-	-	-	(60,000)
Total other financing sources	(60,000)	-	-	60,000	-
Net change in fund balances	2,718,973	(22,573)	(107,809)	185,296	2,773,887
Fund balances at beginning of year	1,085,497	856,088	1,166,116	769,120	3,876,821
Fund balances at end of year	\$ 3,804,470	\$ 833,515	\$ 1,058,307	\$ 954,416	\$ 6,650,708

See accompanying notes to the basic financial statements.

Norton City School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2022**

Net change in fund balances - total governmental funds \$ 2,773,887

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	\$ 665,742	
Depreciation expense	<u>(1,221,670)</u>	
Excess of capital asset additions and contributions over depreciation expense		(555,928)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (2,145)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:

Property taxes	\$ (59,805)	
Income taxes	24,092	
Tuition and fees	(156,526)	
Intergovernmental	45,264	
Miscellaneous	<u>(276)</u>	
Net change in deferred inflows of resources during the year		(147,251)

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

Pension	2,138,210
OPEB	68,157

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

Pension	774,219
OPEB	253,771

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. 469,555

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

These activities consist of:

Decrease in compensated absences	5,796	
Decrease in accrued interest	271	
Amortization of:		
Premium	69,974	
Deferred cost of refunding - outflow	(40,741)	
Deferred cost of refunding - inflow	11,312	
Bond accretion	<u>(212,020)</u>	
Total reduced expenditures		(165,408)

The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.

8,401

Change in net position of governmental activities \$ 5,615,468

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Property taxes	\$ 8,626,362	\$ 9,165,774	\$ 9,137,514	\$ (28,260)
Income taxes	1,468,336	1,791,990	1,786,465	(5,525)
Intergovernmental	12,859,223	13,459,033	13,417,536	(41,497)
Interest	3,950	2,115	2,115	-
Tuition and fees	1,754,735	1,492,651	1,488,049	(4,602)
Extracurricular activities	54,410	61,799	61,609	(190)
Gifts and donations	2,074	500	500	-
Charges for services	49,033	170	170	-
Rent	3,670	5,515	5,515	-
Miscellaneous	13,746	14,140	14,140	-
Total revenues	<u>24,835,539</u>	<u>25,993,687</u>	<u>25,913,613</u>	<u>(80,074)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	12,215,670	12,031,278	10,390,240	1,641,038
Special	3,610,882	3,423,502	2,941,267	482,235
Vocational	734,667	726,228	624,207	102,021
Adult/continuing	8,550	8,593	7,468	1,125
Student intervention services	369,557	81,480	81,480	-
Support services:				
Pupils	2,160,763	2,609,318	2,119,642	489,676
Instructional staff	581,887	604,997	512,111	92,886
Board of education	47,816	60,760	46,257	14,503
Administration	2,031,291	2,074,271	1,757,329	316,942
Fiscal	671,066	782,851	660,304	122,547
Business	178,734	186,832	160,160	26,672
Operation and maintenance of plant	2,152,405	2,534,524	2,119,728	414,796
Pupil transportation	1,250,146	1,594,614	1,282,130	312,484
Central	113,480	135,784	115,493	20,291
Operation of non-instructional services	234	-	-	-
Extracurricular activities	495,716	518,813	517,220	1,593
Total expenditures	<u>26,622,864</u>	<u>27,373,845</u>	<u>23,335,036</u>	<u>4,038,809</u>
Excess of revenues under expenditures	<u>(1,787,325)</u>	<u>(1,380,158)</u>	<u>2,578,577</u>	<u>3,958,735</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	6,865	2,473	2,473	-
Refund of prior year expenditures	347,913	20,871	20,871	-
Insurance recoveries	1,136	575	575	-
Transfers out	(90,000)	(85,100)	(85,100)	-
Total other financing sources (uses)	<u>265,914</u>	<u>(61,181)</u>	<u>(61,181)</u>	<u>-</u>
Net change in fund balance	(1,521,411)	(1,441,339)	2,517,396	3,958,735
Fund balances at beginning of year	1,474,962	1,474,962	1,474,962	-
Prior year encumbrances appropriated	46,455	46,455	46,455	-
Fund balances at end of year	<u>\$ 6</u>	<u>\$ 80,078</u>	<u>\$ 4,038,813</u>	<u>\$ 3,958,735</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2022

	<u>Self Insurance</u>
<u>Assets:</u>	
Current:	
Equity in pooled cash and cash equivalents	<u>\$ 68,757</u>
<u>Liabilities:</u>	
Current:	
Interfund payable	<u>60,000</u>
<u>Net position:</u>	
Unrestricted	<u>8,757</u>
Total liabilities and net position	<u>\$ 68,757</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2022

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	<u>\$ 3,818,259</u>
<u>Operating expenses:</u>	
Purchased services	<u>3,809,858</u>
Change in net position	8,401
Net position at beginning of year	<u>356</u>
Net position at end of year	<u><u>\$ 8,757</u></u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2022

	<u>Self Insurance</u>
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 3,818,259
Cash payments to suppliers for goods and services	<u>(3,809,858)</u>
Net cash used for operating activities	<u>8,401</u>
Net increase in cash and cash equivalents	8,401
Cash and cash equivalents at beginning of year	<u>60,356</u>
Cash and cash equivalents at end of year	<u><u>\$ 68,757</u></u>
<u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating income	<u>\$ 8,401</u>
Net cash used for operating activities	<u><u>\$ 8,401</u></u>

See accompanying notes to the basic financial statements.

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Norton City School District
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2022

	<u>Custodial</u>
<u>Additions:</u>	
Collections on behalf of OHSAA	<u>\$ 4,750</u>
 <u>Deductions:</u>	
Distributions on behalf of OHSAA	<u>4,750</u>
Change in net position	-
Net position at beginning of year	<u>-</u>
Net position at end of year	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE SCHOOL DISTRICT

The Norton City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 127 non-certificated employees and 176 certificated teaching and support personnel, including 18 administrators that provide services to 2,199 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no material component units.

The School District is associated with the Metropolitan Regional Service Council (MRSC) also known as Northeast Ohio Network for Educational Technology (NEOnet), Ohio Schools Council and the Four Cities Educational Compact, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 14.

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting polices.

A. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School 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" revenues and expenses. However, the services provided and used are not eliminated in the process of consolidation.

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

Fund Financial Statements

During the year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

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Governmental Fund Types:

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

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

Bond Retirement Fund: The bond retirement fund is 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: The permanent improvement capital projects fund is used to account for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of resources.

Proprietary Fund Type

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 School District has no enterprise funds.

Internal Service Fund: The internal service fund accounts for the financing of services provided by one department or agency to other departments or agency of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for employee health care benefits. Insurance premiums and related costs are paid from revenue received from other funds as well as employee withholdings.

Fiduciary Fund Types

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's only custodial fund reports money temporarily held for Ohio High School Athletic Association (OHSAA) tournaments.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets, liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflow of resources and all liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

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

Revenue - Exchange and Nonexchange Transactions

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

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

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Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension, OPEB, and a deferred charge on refunding. The deferred outflows of resources related to pension and OPEB are explained in Note 11. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and governmental fund balance sheet reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources are related to property taxes, debt refunding, pension and OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance year 2023 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, income taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Note 11)

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating grants and contributions" program revenue account.

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

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

D. Budgets and Budgetary Accounting

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2022. The amounts reported as the original budgeted expenditure 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 expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to certificates of deposit and interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at market value (fair value).

The School District's investment in the State Treasury Asset Reserve of 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 and is recognized as an external investment pool by the School District. The School 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 a NAV per share that approximates fair value.

For the fiscal year 2022, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice is appreciated 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board has passed a resolution to allow interest to also be recorded in other funds as listed in Note 4.

F. Interfund balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables" whereas long-term interfund loans are classified as "advances to/from other funds". These amounts are eliminated in the governmental activities column of the statement of net position.

G. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expended when used.

Inventories on the fund financial statements are stated at cost on a first-in, first-out basis. Inventories of the general fund consist of expendable supplies held for consumption. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale. Inventories reported on the fund financial statements are expended when purchased.

H. Bond Premiums

In governmental fund types, bond premiums are recognized in the current period. On the statement of net position, bond premiums are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

I. Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. The School District is reporting a separate gain and a loss from debt refundings. These deferred amounts are amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and are presented as deferred outflows of resources and as deferred inflows of resources on the statement of net position.

J. Capital Assets

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

Notes to the Basic Financial Statements

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10 - 30 years
Buildings and improvements	30 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	10 - 15 years

K. Pension and other postemployment benefits (OPEB)

For purposes of measuring the net pension/OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, 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.

The current accounting standard requires school districts to report their proportionate share of the net pension/OPEB liability or asset using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability or asset equals the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. The School District has no control over the changes in the benefits, contribution rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

For the governmental fund financial statements, the matured portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

M. Net Position

Net position represents the difference between all other elements in the statement of financial position. Net position investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, scholarships, classroom facilities maintenance, student wellness, and for operating or capital costs for any new and innovative programs designed to enhance or promote education within the School District.

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

N. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims, judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

O. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the next year’s appropriated budget.

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

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as non-operating.

Q. Interfund Transactions

Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net position.

R. Estimates

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

Notes to the Basic Financial Statements

NOTE 2 – FUND BALANCES

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

Fund Balances	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>					
Materials and supplies inventory	\$ 49,063	\$ -	\$ -	\$ -	\$ 49,063
Advances to other funds	50,411	-	-	-	50,411
Total nonspendable	<u>99,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,474</u>
<u>Restricted for</u>					
Food service	-	-	-	713,141	713,141
Various student activity	-	-	-	137,303	137,303
Classroom facilities maintenance	-	-	-	80,512	80,512
Scholarships	-	-	-	51,575	51,575
Instructional programs	-	-	-	26,919	26,919
Student wellness	-	-	-	74,904	74,904
Capital improvements	-	-	1,058,307	13,645	1,071,952
Debt service payments	-	833,515	-	-	833,515
Total restricted	<u>-</u>	<u>833,515</u>	<u>1,058,307</u>	<u>1,097,999</u>	<u>2,989,821</u>
<u>Committed</u>					
Underground storage tanks	11,000	-	-	-	11,000
<u>Assigned for</u>					
Public school support	131,170	-	-	-	131,170
Encumbrance	209,479	-	-	-	209,479
Next years budget	3,296,690	-	-	-	3,296,690
Total assigned	<u>3,637,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,637,339</u>
Unassigned (deficit)	<u>56,657</u>	<u>-</u>	<u>-</u>	<u>(143,583)</u>	<u>(86,926)</u>
Total fund balances	<u>\$ 3,804,470</u>	<u>\$ 833,515</u>	<u>\$ 1,058,307</u>	<u>\$ 954,416</u>	<u>\$ 6,650,708</u>

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NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ 2,718,973
Net adjustment for revenue accruals	(122,844)
Net adjustment for expenditure accruals	231,111
Encumbrances (Budget basis) outstanding at year-end	(257,346)
Perspective differences from funds budgeted	
as special revenue funds:	
Revenues	(227,619)
Transfers to general fund	(25,100)
Expenditures	<u>200,221</u>
Budget basis	<u>\$ 2,517,396</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District 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 School 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 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 within five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

1. United States Treasury bills, notes, bonds, or any other obligations 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

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7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and,
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC). The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105% of the total value of public monies on deposit at the institution. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State. The School District's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50 %.

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.

A. Deposits:

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. As of June 30, \$3,091,897 of the School District's bank balance of \$7,351,683 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

B. Investments:

As of June 30, 2022, the School District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Maturity</u>	<u>Standard and Poor's Rating</u>
STAR Ohio	\$ 294,875	100.00%	35.3 ⁽¹⁾	AAAm

⁽¹⁾ Days (Average)

Notes to the Basic Financial Statements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above tables identify the School District's recurring fair value measurement as of June 30, 2022. As previously discussed Star Ohio is reported at its net asset value.

All interest is legally required to be placed in the general fund, the food service special revenue fund and the scholarships private purpose trust fund. Interest revenue credited to the general fund during fiscal year 2022 amount to \$2,393, which includes \$1,047 assigned from other School District funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio and the Federated Treasury Obligation money market an AAAM rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

NOTE 5 - PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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, public utility and tangible personal property (used for public utilities) located in the School District. Real property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2022 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at year-end was \$687,004 in the general fund, \$82,471 in the bond retirement debt service fund and \$57,680 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2022 taxes were collected are:

<u>Property Category</u>	<u>2021 Assessed Value</u>	<u>2020 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 296,548,900	\$ 295,339,370
Commercial , industrial and mineral	46,082,930	45,239,850
Public utilities	49,430	67,670
<u>Tangible Personal Property</u>		
Public utilities	<u>26,680,210</u>	<u>28,083,120</u>
Total	<u>\$ 369,361,470</u>	<u>\$ 368,730,010</u>

NOTE 6 – INCOME TAX

The School District levies a voted tax of a half percent for general operations on the earned income of residents and of estates. The tax was effective on January 1, 2019, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

Notes to the Basic Financial Statements

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, interfund, accrued interest, accounts, intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The general fund and the other governmental funds reported intergovernmental receivables in the amounts of \$1,210,814 and \$109,001, respectively.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>
Capital assets, not being depreciated:				
Land	\$ 1,259,263	\$ -	\$ -	\$ 1,259,263
Total capital assets, not being depreciated	<u>1,259,263</u>	<u>-</u>	<u>-</u>	<u>1,259,263</u>
Capital assets, being depreciated:				
Land improvements	3,092,168	55,495	-	3,147,663
Buildings and improvements	40,216,000	403,201	-	40,619,201
Furniture and equipment	4,034,252	114,177	-	4,148,429
Vehicles	2,161,754	92,869	(26,600)	2,228,023
Total capital assets, being depreciated	<u>49,504,174</u>	<u>665,742</u>	<u>(26,600)</u>	<u>50,143,316</u>
Less: Accumulated depreciation				
Land improvements	(1,449,464)	(106,565)	-	(1,556,029)
Buildings and improvements	(8,337,989)	(742,548)	-	(9,080,537)
Furniture and equipment	(1,958,518)	(213,530)	-	(2,172,048)
Vehicles	(1,234,801)	(159,027)	24,455	(1,369,373)
Total accumulated depreciation	<u>(12,980,772)</u>	<u>(1,221,670)</u>	<u>24,455</u>	<u>(14,177,987)</u>
Total capital assets being depreciated, net	<u>36,523,402</u>	<u>(555,928)</u>	<u>(2,145)</u>	<u>35,965,329</u>
Governmental activities capital assets, net	<u>\$ 37,782,665</u>	<u>\$ (555,928)</u>	<u>\$ (2,145)</u>	<u>\$ 37,224,592</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 449,316
Special	13,569
Vocational	30,953
Support services:	
Pupils	1,001
Instructional staff	6,955
Administration	35,299
Fiscal	1,816
Business	30,227
Operation and maintenance of plant	304,716
Pupil transportation	144,030
Operation of food services	42,826
Extracurricular activities	<u>160,962</u>
Total depreciation expense	<u>\$ 1,221,670</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund balances result from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. In a prior year, the general fund advanced money to two nonmajor special revenue funds and advanced money to the internal service fund during the current fiscal year. The advances to the special revenue funds were used to fund state and federal grants where the money has not yet been received. All of these interfund balances are expected to be repaid when anticipated revenue is received.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Advances to other funds</u>	<u>Advances from other funds</u>
General fund	\$ 60,000	\$ -	\$ 50,411	\$ -
Nonmajor governmental funds	-	-	-	50,411
Internal service fund	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 50,411</u>	<u>\$ 50,411</u>

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Transfers from general fund to:	
Nonmajor governmental funds	\$ 60,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10 – RISK MANAGEMENT

A. Property and Liability

The School 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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Health Insurance

The School District has ceased being self-insured. On July 1, 2010, the School District became a participant in the Summit Regional Health Care Consortium (SRHCC) to provide medical/surgical, dental, vision, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SRHCC is a shared risk pool comprised of five Summit County school districts. The employer participants pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$200,000 per participant and an aggregate stop-loss provision of \$2,000,000.

Premium contributions are determined annually in a manner that ensures the pool is funded up to the aggregate stop loss attachment point of \$2,000,000. In the event of termination, all participating school districts' claims would be paid without regard to their individual account balances. The SRHCC Board of Directors has authority to return monies to an exiting school district subsequent to the settlement of all claims and expenditures.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 11 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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) represent the District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB 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 these estimates annually.

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

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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 funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system'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.

A. DEFINED BENEFIT PENSION PLANS

School Employee Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before <u>August 1, 2017 *</u>	Eligible to Retire after <u>August 1, 2017</u>
Full benefits	Age 65 with 5 years of service credit or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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. 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. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$512,636 for fiscal year 2022. Of this amount \$26,268 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, 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 unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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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 goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later 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.

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 on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. 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 fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension

The School District's contractually required contribution to STRS was \$1,625,574 for fiscal year 2022. Of this amount \$229,549 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.1027986%	0.0940213%	
Proportion of the net pension liability - current measurement date	<u>0.0977229%</u>	<u>0.0918646%</u>	
Change in proportionate share	<u>-0.0050757%</u>	<u>-0.0021567%</u>	
Proportionate share of the net pension liability	\$ 3,605,692	\$ 11,745,718	\$ 15,351,410
Pension expense	\$ (404,247)	\$ (369,972)	\$ (774,219)

Notes to the Basic Financial Statements

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 348	\$ 362,886	\$ 363,234
Changes of assumptions	75,925	3,258,473	3,334,398
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	-	38,084	38,084
School District contributions subsequent to the measurement date	<u>512,636</u>	<u>1,625,574</u>	<u>2,138,210</u>
Total deferred outflows of resources	<u>\$ 588,909</u>	<u>\$ 5,285,017</u>	<u>\$ 5,873,926</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 93,510	\$ 73,622	\$ 167,132
Net difference between projected and actual earnings on pension plan investments	1,857,036	10,122,561	11,979,597
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>204,299</u>	<u>659,885</u>	<u>864,184</u>
Total deferred inflows of resources	<u>\$ 2,154,845</u>	<u>\$ 10,856,068</u>	<u>\$ 13,010,913</u>

\$2,138,210 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2023	\$ (590,069)	\$ (1,892,900)	\$ (2,482,969)
2024	(476,970)	(1,605,926)	(2,082,896)
2025	(441,536)	(1,597,112)	(2,038,648)
2026	<u>(569,997)</u>	<u>(2,006,561)</u>	<u>(2,576,558)</u>
Total	<u>\$ (2,078,572)</u>	<u>\$ (7,102,499)</u>	<u>\$ (9,181,071)</u>

Actuarial Assumptions - SERS

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

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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. Future benefits for all current plan members were projected through 2132.

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, 2021, are presented below:

Wage inflation	2.4 percent
Future salary increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment rate of return	7.0 percent net of system expense
Actuarial cost method	Entry age normal

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed June 30, 2020.

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

Notes to the Basic Financial Statements

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US equity	24.75	5.72
International equity developed	13.50	6.55
International equity emerging	6.75	8.54
Fixed income/Global bonds	19.00	1.14
Private equity	11.00	10.03
Real estate/Real assets	16.00	5.41
Multi-asset strategies	4.00	3.47
Private debt/Private credit	3.00	5.28
Total	<u>100.00</u> %	

Discount Rate The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease <u>(6.00%)</u>	Current discount rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net pension liability	\$ 5,998,927	\$3,605,692	\$1,587,322

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment rate of return	7.0 percent, net of investment expenses, including inflation
Discount rate of return	7.0 percent
Payroll increases	3.0 percent
Cost-of-Living Adjustment (COLA)	0.0 percent

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Post-retirement 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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 MP2016.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return*</u>
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30 year period, STRS's 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 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

Notes to the Basic Financial Statements

	1% Decrease <u>(6.00%)</u>	Current discount rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net pension liability	\$ 21,995,333	\$11,745,718	\$3,084,815

Changes Between the Measurement Date and the Reporting date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

B. DEFINED BENEFITS OPEB PLANS

Net OPEB Liability

School Employees Retirement System

Health Care Plan Description - The School 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 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.

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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 fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 2022, the School District's surcharge obligation was \$68,157.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$68,157 for fiscal year 2022. Of this amount \$68,157 is reported as a pension obligation payable.

State Teachers Retirement System

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. The Plan is included in the report of STRS which can be obtained by visiting 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, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability or Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability or asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability or asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability or asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Notes to the Basic Financial Statements

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability - prior measurement date	0.106579%	0.0940213%	
Proportion of the net OPEB liability - current measurement date	<u>0.100688%</u>	<u>0.0918646%</u>	
Change in proportionate share	<u>-0.005891%</u>	<u>-0.002157%</u>	
Proportionate share of the net OPEB liability (asset)	\$ 1,905,595	\$ (1,936,890)	\$ (31,295)
OPEB expense	\$ (110,730)	\$ (143,041)	\$ (253,771)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 20,312	\$ 68,966	\$ 89,278
Changes of assumptions	298,943	123,721	422,664
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	38,377	1,445	39,822
School District contributions subsequent to the measurement date	<u>68,157</u>	<u>-</u>	<u>68,157</u>
Total deferred outflows of resources	<u>\$ 425,789</u>	<u>\$ 194,132</u>	<u>\$ 619,921</u>
 Deferred inflows of resources			
Differences between expected and actual experience	\$ 949,072	\$ 354,873	\$ 1,303,945
Changes of assumptions	260,955	1,155,496	1,416,451
Net difference between projected and actual earnings on pension plan investments	41,400	536,872	578,272
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>392,317</u>	<u>26,032</u>	<u>418,349</u>
Total deferred inflows of resources	<u>\$ 1,643,744</u>	<u>\$ 2,073,273</u>	<u>\$ 3,717,017</u>

\$68,157 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal <u>Year</u>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2023	\$ (297,011)	\$ (536,801)	\$ (833,812)
2024	(297,302)	(523,368)	(820,670)
2025	(300,975)	(515,602)	(816,577)
2026	(234,666)	(228,590)	(463,256)
2027	(114,773)	(76,363)	(191,136)
2028	(41,385)	1,583	(39,802)
Total	<u>\$ (1,286,112)</u>	<u>\$ (1,879,141)</u>	<u>\$ (3,165,253)</u>

Actuarial Assumptions - SERS

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

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

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, 2021, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.27 percent
Prior Measurement Date	2.63 percent
Medical Trend Assumption	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

The most recent experience study was completed for the five year period ended June 30, 2020.

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 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 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 timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10 A.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 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 all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is 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. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Sensitivity of the School 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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

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	1% Decrease <u>(1.27%)</u>	Current discount rate <u>(2.27%)</u>	1% Increase <u>(3.27%)</u>
School District's proportionate share of the net OPEB liability	\$ 2,361,263	\$1,905,595	\$1,541,575

	1% Decrease <u>(5.75% decreasing to 3.40%)</u>	Current trend rate <u>(6.75% decreasing to 4.40%)</u>	1% Increase <u>(7.75% decreasing to 5.40%)</u>
School District's proportionate share of the net OPEB liability	\$ 1,467,152	\$1,905,595	\$2,491,221

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Discount rate of return	7.00 percent
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.00 percent initial, 4.00 percent ultimate
Medicare	-16.18 percent initial, 4.00 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4.00 percent ultimate
Medicare	29.98 percent initial, 4.00 percent ultimate

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.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Notes to the Basic Financial Statements

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10 A.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u> <u>(6.00%)</u>	Current discount rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net OPEB asset	\$ (1,634,436)	(\$1,936,890)	(\$2,189,546)
	<u>1% Decrease</u>	Current <u>trend rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	\$ (2,179,308)	(\$1,936,890)	(\$1,637,119)

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NOTE 12 - LONG-TERM OBLIGATIONS

The changes in long-term obligations of the School District during the fiscal year were as follows:

	Balance <u>July 1</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30</u>	Due within <u>one year</u>
<u>Governmental activities</u>					
<u>General obligation bonds</u>					
2020 School Improvement					
Refunding, 1 - 3%					
Serial and term bonds	\$ 14,060,000	\$ -	\$ (95,000)	\$ 13,965,000	\$ 405,000
Capital appreciation bonds	118,101	-	(118,101)	-	-
Accretion on bonds	126,347	65,552	(191,899)	-	-
Premium	266,871	-	(16,477)	250,394	-
2016 School Improvement					
Refunding, 1 - 4%					
Serial and term bonds	7,210,000	-	(45,000)	7,165,000	45,000
Capital appreciation bonds	199,923	-	-	199,923	-
Accretion on bonds	370,786	146,468	-	517,254	-
Premium	1,075,462	-	(53,497)	1,021,965	-
Total bonds	<u>23,427,490</u>	<u>212,020</u>	<u>(519,974)</u>	<u>23,119,536</u>	<u>450,000</u>
<u>Other obligations</u>					
Compensated absences	1,319,981	162,274	(168,070)	1,314,185	118,906
Financed purchase	19,555	-	(19,555)	-	-
Total other liabilities	<u>1,339,536</u>	<u>162,274</u>	<u>(187,625)</u>	<u>1,314,185</u>	<u>118,906</u>
<u>Net pension liability</u>					
STRS	22,749,816	-	(11,004,098)	11,745,718	-
SERS	6,799,316	-	(3,193,624)	3,605,692	-
Total net pension liability	<u>29,549,132</u>	<u>-</u>	<u>(14,197,722)</u>	<u>15,351,410</u>	<u>-</u>
<u>Net OPEB liability</u>					
SERS	2,316,300	-	(410,705)	1,905,595	-
Total net OPEB liability	<u>2,316,300</u>	<u>-</u>	<u>(410,705)</u>	<u>1,905,595</u>	<u>-</u>
Governmental activities					
Total long-term liabilities	<u>\$ 56,632,458</u>	<u>\$ 374,294</u>	<u>\$ (15,316,026)</u>	<u>\$ 41,690,726</u>	<u>\$ 568,906</u>

Notes to the Basic Financial Statements

General Obligation Bonds: During fiscal year 2021, the School District issued bonds to provide resources for a current refunding of the remaining 2014A and 2014B School Improvement bonds. The issuance of the 2020 School Improvement Refunding bonds consisted of \$14,060,000 of serial and term bonds, \$118,101 of a capital appreciation bond and a net premium of \$283,605. The new bonds have interest rates ranging from 1.0% to 3.0% and have a final maturity of November 1, 2049. The net proceeds of \$14,234,961 (after payment of \$218,607 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for debt service payments of the remaining portion of the 2014A and 2014B School Improvement bonds called for redemption on December 3, 2020. As a result of this issue, the old bonds are considered to be redeemed and the liability has been removed. The difference between the reacquisition price and the net carrying amount of the old debt was \$194,723 and is reported as a deferred inflow of resources on the Statement of Net Position. The premium of the new debt was significant and is amortized over the life of the new bonds using the bonds outstanding method of amortization. The School District current refunded the School Improvement Bonds to reduce their total debt service payments over the next 29 years by \$1,507,365 and \$2,286,137 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,019,524 and \$1,664,608 for the 2014A and 2014B School Improvement bonds respectively.

On September 28, 2016, the School District issued \$7,734,923 in general obligation bonds with interest rates ranging from 1% to 4% to advance refund \$7,735,000 of outstanding School Improvement Bonds with interest rates ranging from 3% to 5%. The bond proceeds consisted of bond principal and \$1,347,530 of premium. The net proceeds of \$8,934,844 (after payment of \$147,609 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Improvement Bonds refunded. As a result of this issue, a portion of the School Improvement Bonds are considered to be redeemed and the liability has been removed. The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources on the Statement of Net Position. The premium of the new debt was significant and is amortized over the life of the new bonds using the bonds outstanding method of amortization. All of the old bonds were called and redeemed on November 1, 2020. The School District advance refunded the School Improvement Bonds to reduce their total debt service payments over the next 33 years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$790,341.

Compensated absences will be paid from the fund from which the employee is paid. In prior years, this fund has primarily been the general fund. Financed purchases will be paid from the general fund.

There is not a repayment schedule for the net pension liability and net OPEB liability; however the School District pays pension and OPEB obligations related to employee compensation from the fund benefitting from their service.

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Principal and interest requirements to amortize all bonds outstanding at June 30, 2022 are as follows:

Fiscal Year	School Improvement Bonds			
	Principal	Compounded Interest		Total
2023	\$ 450,000	\$ -	\$ 620,631	\$ 1,070,631
2024	193,167	316,833	617,694	1,127,694
2025	183,499	366,501	616,544	1,166,544
2026	173,257	371,743	615,369	1,160,369
2027	545,000	-	604,444	1,149,444
2028-2032	2,975,000	-	2,722,644	5,697,644
2033-2037	3,620,000	-	2,206,922	5,826,922
2038-2042	4,300,000	-	1,643,872	5,943,872
2043-2047	5,135,000	-	1,001,594	6,136,594
2048-2050	3,755,000	-	166,041	3,921,041
Total	<u>\$ 21,329,923</u>	<u>\$ 1,055,077</u>	<u>\$ 10,815,755</u>	<u>\$ 33,200,755</u>

NOTE 13 – FINANCED PURCHASE

In a prior fiscal year, the School District entered into a finance purchase agreement (formerly classified as capital lease) for the acquisition of copiers. Financed purchase payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The School District entered into the agreement for a term of 60 months, payments are due monthly. Capital assets acquired by the financed purchase have been capitalized as equipment in the amount of \$89,611. These amounts are equal to the present value of the future minimum financed purchase payments at the time of acquisition.

During the year the financed purchase was paid in full, principal payments in the current fiscal year totaled \$19,555 and interest of \$473 for a total payment of \$20,028.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

The Metropolitan Regional Service Council (MRSC) is the computer service organization or Information Technology Center (ITC) used by the School District. MRSC is also known as Northeast Ohio Network for Educational Technology (NEOnet), which is the name used exclusively prior to their reorganization from a consortium to a council of governments. The superintendent from each member entity is appointed to the legislative body of MRSC known as the assembly. The assembly elects a board of directors consisting of nine members. These members comprise the managerial body of the council and meet at least five times yearly. The operations of MRSC are under the control of the board of directors and the executive director. The purpose of the MRSC is to develop and employ a computer system efficiently and effectively for the needs of the member school districts. All members are required to pay fees, charges and assessments as charged. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to MRSC are made from various funds. During fiscal year 2022, the School District contributed \$157,141 to MRSC. Financial information can be obtained by contacting the fiscal agent at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

The Four Cities Educational Compact is a jointly governed organization that provides for the vocational and special education needs of the students of four participating school districts. The four-member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the four districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class.

Wadsworth City School District serves as the fiscal agent for this organization, collecting fees and distributing payments. The committee exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services. Financial information can be obtained by contacting the Treasurer at the Wadsworth City School District, 360 College St., Wadsworth, Ohio 44281.

The Ohio Schools Council Association (Council) is a jointly governed organization among school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2022, the School District paid \$611 to the Council in the form of program membership fees and \$34,847 for natural gas purchases. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

Norton City School District

NOTE 15 – FUND DEFICITS

As of June 30, 2022, the general fund and several nonmajor special revenue funds had deficit fund balances. This deficit was caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had a deficit at year-end:

<u>Fund</u>	<u>Deficit</u>
Nonmajor funds:	
ESSER	\$ 53,176
IDEA Grant	82,766
Title IV-A	3,550
Title I	420
Title II-A	3,671

NOTE 16 - CONTINGENT LIABILITIES

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2022, if applicable, cannot be determined at this time. In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2022.

School 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. The ODE's final FTE adjustments did not have a material impact on the School District's financial statements.

NOTE 17 - SET-ASIDES

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

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

Notes to the Basic Financial Statements

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Maintenance Reserve
Set-aside reserve balance as of June 30, 2021	\$ -
Current year set-aside requirement	394,420
Current year offsets	<u>(804,816)</u>
Total	<u>\$ (410,396)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>

NOTE 18 – TAX ABATEMENTS

Pursuant to the Ohio Revised Code (ORC) Section 3735, the City of Norton (the City) established a Community Reinvestment Area (CRA) program. The CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for the renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

The total value of the School District's share of taxes abated within the CRA areas for fiscal year 2022 were estimated at \$55,407.

NOTE 19– CORONAVIRUS PANDEMIC (COVID-19)

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School District. Furthermore, due to the dynamic environment and changes in fiscal policies, the exact impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

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Required Supplementary Information

Norton City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Nine Fiscal Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net pension liability	0.097723%	0.102799%	0.103667%	0.119985%
School District's proportionate share of the net pension liability	\$ 3,605,692	\$ 6,799,316	\$ 6,202,566	\$ 6,871,775
School District's covered payroll	\$ 3,373,143	\$ 3,471,343	\$ 3,440,489	\$ 3,445,733
School District's proportionate share of the net pension liability as a percentage of its covered payroll	106.89%	195.87%	180.28%	199.43%
Plan fiduciary net position as a percentage of total pension liability	82.86%	68.55%	70.85%	71.36%
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net pension liability	0.0918646%	0.0940213%	0.0937119%	0.0971018%
School District's proportionate share of the net pension liability	\$ 11,745,718	\$ 22,749,816	\$ 20,723,824	\$ 21,350,514
School District's covered payroll	\$ 11,335,493	\$ 11,322,200	\$ 10,964,921	\$ 11,057,786
School District's proportionate share of the net pension liability as a percentage of its covered payroll	103.62%	200.93%	189.00%	193.08%
Plan fiduciary net position as a percentage of total pension liability	87.80%	75.50%	77.40%	77.30%

(1) Ten years of information will be presented as information becomes available. Information prior to 2014 is not available.
The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to required supplementary information.

2018	2017	2016	2015	2014
0.117930%	0.119634%	0.115377%	0.114086%	0.114086%
\$ 7,046,051	\$ 8,756,083	\$ 6,583,495	\$ 5,773,828	\$ 6,784,328
\$ 4,223,900	\$ 3,673,100	\$ 3,437,314	\$ 3,276,089	\$ 3,213,316
166.81%	238.38%	191.53%	176.24%	211.13%
69.50%	62.98%	69.16%	71.70%	65.52%

2018	2017	2016	2015	2014
0.0977714%	0.0977003%	0.0974650%	0.0967810%	0.0967810%
\$ 23,225,813	\$ 32,703,232	\$ 26,936,464	\$ 23,540,486	\$ 28,041,273
\$ 10,924,521	\$ 10,505,957	\$ 10,253,586	\$ 10,020,169	\$ 9,777,115
212.60%	311.28%	262.70%	234.93%	286.81%
75.30%	66.80%	72.10%	74.70%	69.30%

Norton City School District
Required Supplementary Information
Schedule of School District Contributions - Pension
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution	\$ 512,636	\$ 472,240	\$ 485,988	\$ 464,466	\$ 465,174
Contributions in relation to contractually required contribution	<u>(512,636)</u>	<u>(472,240)</u>	<u>(485,988)</u>	<u>(464,466)</u>	<u>(465,174)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 3,661,686	\$ 3,373,143	\$ 3,471,343	\$ 3,440,489	\$ 3,445,733
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.50%	13.50%

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	\$ 1,625,574	\$ 1,586,969	\$ 1,585,108	\$ 1,535,089	\$ 1,548,090
Contributions in relation to contractually required contribution	<u>(1,625,574)</u>	<u>(1,586,969)</u>	<u>(1,585,108)</u>	<u>(1,535,089)</u>	<u>(1,548,090)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 11,611,243	\$ 11,335,493	\$ 11,322,200	\$ 10,964,921	\$ 11,057,786
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 591,346	\$ 514,234	\$ 453,038	\$ 454,066	\$ 444,723
<u>(591,346)</u>	<u>(514,234)</u>	<u>(453,038)</u>	<u>(454,066)</u>	<u>(444,723)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,223,900	\$ 3,673,100	\$ 3,437,314	\$ 3,276,089	\$ 3,213,316
14.00%	14.00%	13.18%	13.86%	13.84%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 1,529,433	\$ 1,470,834	\$ 1,435,502	\$ 1,302,622	\$ 1,271,025
<u>(1,529,433)</u>	<u>(1,470,834)</u>	<u>(1,435,502)</u>	<u>(1,302,622)</u>	<u>(1,271,025)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,924,521	\$ 10,505,957	\$ 10,253,586	\$ 10,020,169	\$ 9,777,115
14.00%	14.00%	14.00%	13.00%	13.00%

Norton City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Last Six Fiscal Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net OPEB liability	0.100688%	0.106579%	0.105916%	0.121344%
School District's proportionate share of the net OPEB liability	\$ 1,905,595	\$ 2,316,300	\$ 2,663,562	\$ 3,366,421
School District's covered payroll	\$ 3,373,143	\$ 3,471,343	\$ 3,440,489	\$ 3,445,733
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	56.49%	66.73%	77.42%	97.70%
Plan fiduciary net position as a percentage of total OPEB liability	24.08%	18.17%	15.57%	13.57%
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net OPEB liability or asset	0.091865%	0.094022%	0.093712%	0.097102%
School District's proportionate share of the net OPEB liability (asset)	\$ (1,936,890)	\$ (1,652,423)	\$ (1,552,094)	\$ (1,560,328)
School District's covered payroll	\$ 11,335,493	\$ 11,322,200	\$ 10,964,921	\$ 11,057,786
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(17.09%)	(14.59%)	(14.16%)	(14.11%)
Plan fiduciary net position as a percentage of total OPEB liability or asset	174.70%	182.10%	174.70%	176.00%

(1) Ten years of information will be presented as information becomes available. Information prior to 2017 is not available. The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

<u>2018</u>	<u>2017</u>
0.119114%	0.120761%
\$ 3,196,712	\$ 3,442,130
\$ 4,223,900	\$ 3,673,100
75.68%	93.71%
12.46%	11.49%

<u>2018</u>	<u>2017</u>
0.097771%	0.097700%
\$ 3,814,680	\$ 5,225,037
\$ 10,924,521	\$ 10,505,957
34.92%	49.73%
47.10%	37.30%

Norton City School District
Required Supplementary Information
Schedule of School District Contributions - OPEB
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution (1)	\$ 68,157	\$ 65,291	\$ 68,017	\$ 80,340	\$ 81,094
Contributions in relation to contractually required contribution	<u>(68,157)</u>	<u>(65,291)</u>	<u>(68,017)</u>	<u>(80,340)</u>	<u>(81,094)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 3,661,686	\$ 3,373,143	\$ 3,471,343	\$ 3,440,489	\$ 3,445,733
Contributions as a percentage of covered payroll	1.86%	1.94%	1.96%	2.34%	2.35%

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 11,611,243	\$ 11,335,493	\$ 11,322,200	\$ 10,964,921	\$ 11,057,786
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

2017	2016	2015	2014	2013
\$ 62,342	\$ 59,068	\$ 85,715	\$ 59,503	\$ 58,060
<u>(62,342)</u>	<u>(59,068)</u>	<u>(85,715)</u>	<u>(59,503)</u>	<u>(58,060)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,223,900	\$ 3,673,100	\$ 3,437,314	\$ 3,276,089	\$ 3,213,316
1.48%	1.61%	2.49%	1.82%	1.81%

2017	2016	2015	2014	2013
\$ -	\$ -	\$ -	\$ 100,202	\$ 97,771
<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,202)</u>	<u>(97,771)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,924,521	\$ 10,505,957	\$ 10,253,586	\$ 10,020,169	\$ 9,777,115
0.00%	0.00%	0.00%	1.00%	1.00%

Norton City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Net Pension Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2022. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2022. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Net OPEB Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2022. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2022. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grantor Number	Federal Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
<i>Child Nutrition Cluster:</i>				
National School Breakfast Program	10.553	044552-3L70-22	\$ 164,191	\$ -
National School Lunch Program	10.555	044552-3L60-22	784,003	93,125
COVID-19 National School Lunch Program - Supply Chain	10.555	044552-3L60-22	53,553	-
COVID-19 National School Lunch Program	10.555	044552-3L60-22	42,354	-
<i>Total Child Nutrition Cluster</i>			1,044,101	93,125
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs	10.649	044552-3L60-22	614	-
Total U.S. Department of Agriculture			1,044,715	93,125
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Title I, Grants to Local Educational Agencies	84.010	044552-3M00-21	7,952	-
Title I, Grants to Local Educational Agencies	84.010	044552-3M00-22	247,213	-
Title I, Grants to Local Educational Agencies - Expanding Opportunities	84.010	044552-3M00-22	8,458	-
<i>Total Title I, Grants to Local Educational Agencies</i>			263,623	-
<i>Special Education Cluster (IDEA):</i>				
Special Education-Grants to States, IDEA-B	84.027	044552-3M20-22	489,293	-
COVID-19 Special Education-Grants to States, IDEA-B	84.027	044552-3M20-22	85,507	-
Special Education - Preschool Program	84.173	044552-3C50-22	9,747	-
COVID-19 Special Education - Preschool Program	84.173	044552-3C50-22	7,913	-
<i>Total Special Education Cluster</i>			592,460	-
Title II-A, Improving Teacher Quality State Grants	84.367	044552-3Y60-21	1,758	-
Title II-A, Improving Teacher Quality State Grants	84.367	044552-3Y60-22	38,855	-
<i>Total Title II-A, Improving Teacher Quality State Grants</i>			40,613	-
Title IV-A, Student Support and Academic Enrichment Program	84.424	044552-3H10-22	10,666	-
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425	044552-3HS0-22	339,291	-
COVID-19 Elementary and Secondary School Emergency Relief Fund - ARP	84.425	044552-3HS0-22	285,491	-
COVID-19 Elementary and Secondary School Emergency Relief Fund - ARP Homeless	84.425	044552-3HS0-22	10,770	-
<i>Total Elementary and Secondary School Emergency Relief Fund</i>			635,552	-
Total U.S. Department of Education			1,542,914	-
U.S. DEPARTMENT OF TREASURY				
Passed Through Summit County, Ohio:				
COVID-19 Public School Re-Opening Grant	21.019	N/A	207	-
Total U.S. Department of Treasury			207	-
FEDERAL COMMUNICATIONS COMMISSION				
Passed Through Universal Service Administrative Company (USAC)				
Education Connectivity Fund	32.009	N/A	344,332	-
Total U.S. Department of Treasury			344,332	-
Total Expenditures of Federal Awards			\$ 2,932,168	\$ 93,125

See accompanying notes to Schedule of Expenditures of Federal Awards.

**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Norton City School District (the District) under programs of the federal government for the year ended June 30, 2022. 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 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. The District's Child Nutrition Cluster receipts exceeded expenditures by \$398,329 in fiscal year 2022. This amount will be carried forward to the District's fiscal year 2023 Schedule.

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2022 to 2023 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amt.</u> <u>Transferred</u>
Title I	84.010	\$ 784.15
Title II - A	84.367	18,474.21
Title IV-A	84.424	10,217.86
ARP ESSER	84.425	1,310,727.87
ESSER II	84.425	407,035.55



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

Norton City School District
Summit County
4128 Cleveland-Massillon Road
Norton, Ohio 44203

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norton City School District, Summit County, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2023.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 17, 2023

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Norton City School District
4128 Cleveland-Massillon Road
Norton, Ohio 44203

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Norton City School District's, Summit County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Norton City School District's major federal program for the year ended June 30, 2022. Norton City School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Norton City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 17, 2023

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**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



NORTON CITY SCHOOL DISTRICT

SUMMIT 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 3/28/2023

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