

**NORTHERN LOCAL SCHOOL DISTRICT**

**PERRY COUNTY**

**SINGLE AUDIT**

**JULY 1, 2023 - JUNE 30, 2024**







65 East State Street  
Columbus, Ohio 43215  
[ContactUs@ohioauditor.gov](mailto:ContactUs@ohioauditor.gov)  
800-282-0370

Board of Education  
Northern Local School District  
8700 Sheridan Road NW  
Thornville, OH 43076

We have reviewed the *Independent Auditor's Report* of Northern Local School District, Perry County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2023 through June 30, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The Auditor of State is conducting an investigation, which is on-going as of the date of this report. Dependent on the outcome of this investigation, results may be reported on at a later date.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 20, 2025

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**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY, OHIO**

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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Audit of the Financial Statements***

#### ***Opinions***

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio (the School District), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School 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 cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2024, and the respective changes in cash-basis financial position and where applicable cash flows thereof and the budgetary comparison for the General fund for the fiscal year then ended in accordance with the cash-basis of accounting described in Note 2.

#### ***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 School 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.

#### ***Emphasis of Matter - Accounting Basis***

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible 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 School 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 School 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 School 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.

Northern Local School District  
Perry County  
Independent Auditor's Report

***Supplementary Information***

Our audit was conducted to opine on the financial statements as a whole that collectively comprise the School 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 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 to 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, this schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Information***

We applied no procedures to management's discussion & analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2024, on our consideration of the School 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 School 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 School District's internal control over financial reporting and compliance.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
December 4, 2024

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**Northern Local School District**  
**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*(Unaudited)*

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As management of the Northern Local School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the Northern Local School District for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the basic financial statements.

### **Financial Highlights**

Key financial highlights for the fiscal year 2024 are as follows:

- Net position of governmental activities increased by \$1,471,738.

### **Using this Annual Financial Report**

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, and present an aggregate view of the School District's finances on the cash basis of accounting. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

#### ***Reporting the School District as a Whole***

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

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

These two statements report the 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 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 all reported as Governmental.

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

**Northern Local School District**  
**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*(Unaudited)*

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

*Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, and permanent improvement 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 fiscal year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

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

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**Northern Local School District**  
**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*(Unaudited)*

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**The District as a Whole**

Table 1 provides a summary of the School District's net position for 2024 compared to 2023 on a cash basis:

**Table 1**  
**Net Position – Cash Basis**

	Governmental Activities		
	2024	2023	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 9,185,155	\$ 7,713,417	\$ 1,471,738
<i>Total Assets</i>	<u>\$ 9,185,155</u>	<u>\$ 7,713,417</u>	<u>\$ 1,471,738</u>
<b>Net Position</b>			
Restricted for:			
Capital Outlay	1,575,313	1,122,658	452,655
Debt Service	-	1,023,267	(1,023,267)
Food Service	499,479	594,185	(94,706)
Other Purposes	331,498	321,477	10,021
Extracurricular Activities	343,166	299,161	44,005
State and Federal Grants	550,610	564,945	(14,335)
Recreation	70	70	-
Unrestricted	<u>5,885,019</u>	<u>3,787,654</u>	<u>2,097,365</u>
<i>Total Net Position</i>	<u>\$ 9,185,155</u>	<u>\$ 7,713,417</u>	<u>\$ 1,471,738</u>

Net position increased compared to prior fiscal year; see discussion below Table 2 for explanation of this change.

**Northern Local School District**  
**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*(Unaudited)*

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Table 2 shows the changes in net position for fiscal year 2024 in comparison to fiscal year 2023.

**Table 2**  
**Change in Net Position – Cash Basis**

	Governmental Activities		
	2024	2023	Change
<b>Receipts</b>			
<i>Program Receipts</i>			
Charges for Services and Sales	\$ 1,687,061	\$ 1,861,056	\$ (173,995)
Operating Grants and Contributions	2,406,060	3,873,206	(1,467,146)
Capital Grants and Contributions	86,866	635,000	(548,134)
<i>Total Program Receipts</i>	<u>4,179,987</u>	<u>6,369,262</u>	<u>(2,189,275)</u>
<i>General Cash Receipts</i>			
Property Taxes	13,623,139	12,626,958	996,181
Grants and Entitlements not Restricted to Specific Programs	14,313,649	13,755,984	557,665
Investment Earnings	33,880	7,479	26,401
Other Receipts	15,316	16,970	(1,654)
<i>Total General Receipts</i>	<u>27,985,984</u>	<u>26,407,391</u>	<u>1,578,593</u>
<i>Total Receipts</i>	<u>32,165,971</u>	<u>32,776,653</u>	<u>(610,682)</u>
<i>Program Disbursements</i>			
Instruction:			
Regular	10,664,301	10,628,499	35,802
Special	4,778,119	4,238,403	539,716
Vocational	341,613	326,071	15,542
Student Intervention Services	124,674	234,988	(110,314)
Other	3,387	2,398	989
Support Services:			
Pupils	981,308	786,174	195,134
Instructional Staff	690,763	596,224	94,539
Board of Education	30,446	38,505	(8,059)
Administration	1,983,425	1,846,518	136,907
Fiscal Services	982,964	947,542	35,422
Operation and Maintenance	3,773,207	2,420,147	1,353,060
Pupil Transportation	1,685,402	2,053,570	(368,168)
Central	222,450	223,876	(1,426)
Operation of Non-Instructional Services:			
Food Service Operations	1,551,962	1,523,402	28,560
Community Services	215,483	182,505	32,978
Extracurricular Activities	1,028,453	956,657	71,796
Capital Outlay	362,142	-	-
Debt Service:			
Principal Retirement	1,159,717	1,141,214	18,503
Interest and Fiscal Charges	114,417	149,333	(34,916)
<i>Total Program Disbursements</i>	<u>30,694,233</u>	<u>28,296,026</u>	<u>2,398,207</u>
<i>Change in Net Position</i>	<u>1,471,738</u>	<u>4,480,627</u>	<u>(3,008,889)</u>
<i>Net Position Beginning of Fiscal Year</i>	<u>7,713,417</u>	<u>3,232,790</u>	<u>4,480,627</u>
<i>Net Position End of Fiscal Year</i>	<u>\$ 9,185,155</u>	<u>\$ 7,713,417</u>	<u>\$ 1,471,738</u>

**Northern Local School District**  
**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*(Unaudited)*

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There was a decrease in operating grants and contributions this year. This change is mainly due to a decrease in COVID funding throughout the year compared to the prior fiscal year. Meanwhile, there was a decrease in capital grants and contributions. This decrease is primarily due to a significant school bus grant received in the prior year.

Property taxes increased during the fiscal year. This increase is due to an increase in assessed valuation.

Operations and maintenance expense increased significantly during the fiscal year. This increase is due to increased repairs and maintenance throughout the buildings.

### **The District Funds**

The School District's funds are accounted for using the cash basis of accounting. The schedule below indicates the cash fund balances and the total change in fund balances as of June 30, 2024 for the School District's major funds.

**Table 3**  
**Fund Balance Analysis**

	<u>Fund Balance 6/30/2024</u>	<u>Fund Balance 6/30/2023</u>	<u>Increase/ (Decrease)</u>
General	\$ 5,817,911	\$ 3,421,104	\$ 2,396,807
Bond Retirement	-	1,023,267	(1,023,267)
Permanent Improvement	1,404,303	951,648	452,655

The fund balance of the General Fund increased during the fiscal year. This increase is primarily the result of an increase in property taxes received due to increase in assessed valuation during the fiscal year.

The fund balance of the Bond Retirement Fund decreased during the fiscal year. The bond levy has ended and the remaining cash was transferred to the permanent improvement fund.

The fund balance of the Permanent Improvement Fund increased during the fiscal year. This increase is primarily the result of a transfer from the Bond Retirement Fund to close out the 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, cash disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2024, the School District amended its general fund budget. The School District closely monitors its resources and uses and if necessary, modifies the budgetary documents on a timely basis.

The difference between the School District's final estimated receipts and other financing sources and the original estimated receipts and other financing sources was significant, primarily as a result of an increase in the estimate of property taxes received during the fiscal year. The School District's final appropriations

**Northern Local School District**  
**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*(Unaudited)*

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exceeded the original appropriations primarily as a result of an increase in expenses related to operation and maintenance. The variance between actual budgetary expenditures and final appropriations was due to conservative spending.

### **Debt Administration**

At June 30, 2024, the School District's debt outstanding decreased in comparison to the previous fiscal year. The decrease is due to principal payments made during the fiscal year. See Note 9 for additional information.

### **Economic Factors**

The District's current five-year forecast is projecting sufficient receipts for fiscal year 2025 through 2028 with positive ending cash balances.

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

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Jennie Clifton, Treasurer, at Northern Local District, 8700 Sheridan Drive, Thornville, Ohio 43076. Or, E-mail the Treasurer at [jclifton@nlsd.k12.oh.us](mailto:jclifton@nlsd.k12.oh.us).

**Northern Local School District**  
**Perry County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2024*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 9,185,155
<i>Total Assets</i>	<u>\$ 9,185,155</u>
 <b>Net Position</b>	
Restricted for:	
Capital Outlay	\$ 1,575,313
Other Purposes	331,498
Food Service	499,479
Extracurricular Activities	343,166
State and Federal Grants	550,610
Recreation	70
Unrestricted	5,885,019
<i>Total Net Position</i>	<u>\$ 9,185,155</u>

See accompanying notes the basic financial statements.

**Northern Local School District**  
**Perry County, Ohio**  
*Statement of Activities - Cash Basis*  
*For The Fiscal Year Ended June 30, 2024*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>						
Current:						
Instruction:						
Regular	\$ 10,664,301	\$ 275,199	\$ 177,065	\$ -	\$ (10,212,037)	
Special	4,778,119	158,231	850,357	-	(3,769,531)	
Vocational	341,613	-	-	-	(341,613)	
Student Intervention Services	124,674	-	-	-	(124,674)	
Other	3,387	-	-	-	(3,387)	
Support Services:						
Pupils	981,308	-	78,567	-	(902,741)	
Instructional Staff	690,763	-	51,121	-	(639,642)	
Board of Education	30,446	-	-	-	(30,446)	
Administration	1,983,425	-	24,314	-	(1,959,111)	
Fiscal Services	982,964	-	34,012	-	(948,952)	
Operation and Maintenance	3,773,207	-	-	-	(3,773,207)	
Pupil Transportation	1,685,402	-	324	86,866	(1,598,212)	
Central	222,450	-	9,988	-	(212,462)	
Operation of Non-Instructional Services:						
Food Service Operations	1,551,962	486,344	972,013	-	(93,605)	
Community Services	215,483	-	208,299	-	(7,184)	
Extracurricular Activities	1,028,453	767,287	-	-	(261,166)	
Capital Outlay	362,142	-	-	-	(362,142)	
Debt Service:						
Principal Retirement	1,159,717	-	-	-	(1,159,717)	
Interest and Fiscal Charges	114,417	-	-	-	(114,417)	
<i>Totals</i>	<i><u>\$ 30,694,233</u></i>	<i><u>\$ 1,687,061</u></i>	<i><u>\$ 2,406,060</u></i>	<i><u>\$ 86,866</u></i>	<i><u>(26,514,246)</u></i>	
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes					11,509,266	
Capital Outlay					1,859,860	
Debt Service					254,013	
Grants and Entitlements not Restricted to Specific Programs					14,313,649	
Investment Earnings					33,880	
Other Receipts					15,316	
<i>Total General Receipts</i>					<i><u>27,985,984</u></i>	
<i>Change in Net Position</i>					<i><u>1,471,738</u></i>	
<i>Net Position Beginning of Year</i>					<i><u>7,713,417</u></i>	
<i>Net Position End of Year</i>					<i><u>\$ 9,185,155</u></i>	

See accompanying notes the basic financial statements.

**Northern Local School District**  
**Perry County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2024*

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 5,817,911	\$ -	\$ 1,404,303	\$ 1,453,992	\$ 8,676,206
<i>Total Assets</i>	<b><u>\$ 5,817,911</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,404,303</u></b>	<b><u>\$ 1,453,992</u></b>	<b><u>\$ 8,676,206</u></b>
<b>Fund Balances</b>					
Restricted	\$ -	\$ -	\$ 1,404,303	\$ 1,895,833	\$ 3,300,136
Assigned	779,104	-	-	-	779,104
Unassigned	5,038,807	-	-	(441,841)	4,596,966
<i>Total Fund Balances</i>	<b><u>\$ 5,817,911</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,404,303</u></b>	<b><u>\$ 1,453,992</u></b>	<b><u>\$ 8,676,206</u></b>

See accompanying notes the basic financial statements.

**Northern Local School District  
Perry County, Ohio**

**Total Governmental Fund Balances** \$ 8,676,206

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

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

508,949

*Net Position of Governmental Activities* \$ 9,185,155

See accompanying notes to the basic financial statements.

**Northern Local School District**  
**Perry County, Ohio**  
*Statement of Receipts, Disbursements, and Changes in  
Fund Balances - Cash Basis Governmental Funds  
For The Fiscal Year Ended June 30, 2024*

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Taxes	\$ 11,509,266	\$ 254,013	\$ 1,859,860	\$ -	\$ 13,623,139
Intergovernmental	14,082,541	36,921	190,687	2,458,914	16,769,063
Interest	33,880	-	-	-	33,880
Tuition and Fees	397,802	-	-	-	397,802
Extracurricular Activities	125,314	-	-	641,973	767,287
Gifts and Donations	3,500	-	-	34,012	37,512
Charges for Services	33,207	-	-	486,344	519,551
Rent	2,421	-	-	-	2,421
Miscellaneous	15,316	-	-	-	15,316
<i>Total Receipts</i>	<u>26,203,247</u>	<u>290,934</u>	<u>2,050,547</u>	<u>3,621,243</u>	<u>32,165,971</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	10,178,692	-	133,774	361,370	10,673,836
Special	3,890,947	-	-	889,468	4,780,415
Vocational	341,780	-	-	-	341,780
Student Intervention Services	124,674	-	-	-	124,674
Other	3,387	-	-	-	3,387
Support Services:					
Pupils	885,096	-	-	97,171	982,267
Instructional Staff	569,003	-	-	122,131	691,134
Board of Education	30,446	-	-	-	30,446
Administration	1,957,681	-	1	28,508	1,986,190
Fiscal	906,809	6,540	45,955	23,991	983,295
Operation and Maintenance of Plant	2,589,474	-	1,089,547	95,266	3,774,287
Pupil Transportation	1,685,504	-	-	2,025	1,687,529
Central	212,462	-	-	9,988	222,450
Operation of Non-Instructional Services:					
Food Service Operations	-	-	-	1,553,063	1,553,063
Community Services	-	-	-	215,608	215,608
Extracurricular Activities	430,485	-	-	597,968	1,028,453
Capital Outlay	-	-	362,142	-	362,142
Debt Service:					
Principal Retirement	-	420,000	739,717	-	1,159,717
Interest and Fiscal Charges	-	7,350	107,067	-	114,417
<i>Total Disbursements</i>	<u>23,806,440</u>	<u>433,890</u>	<u>2,478,203</u>	<u>3,996,557</u>	<u>30,715,090</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>2,396,807</u>	<u>(142,956)</u>	<u>(427,656)</u>	<u>(375,314)</u>	<u>1,450,881</u>
<b>Other Financing Sources</b>					
Transfers In	-	-	880,311	-	880,311
Transfers Out	-	(880,311)	-	-	(880,311)
<i>Total Other Financing Sources</i>	<u>-</u>	<u>(880,311)</u>	<u>880,311</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>2,396,807</u>	<u>(1,023,267)</u>	<u>452,655</u>	<u>(375,314)</u>	<u>1,450,881</u>
<i>Fund Balances Beginning of Fiscal Year Fund</i>	<u>3,421,104</u>	<u>1,023,267</u>	<u>951,648</u>	<u>1,829,306</u>	<u>7,225,325</u>
<i>Balances End of Fiscal Year</i>	<u>\$ 5,817,911</u>	<u>\$ -</u>	<u>\$ 1,404,303</u>	<u>\$ 1,453,992</u>	<u>\$ 8,676,206</u>

See accompanying notes the basic financial statements.

**Northern Local School District  
Perry County, Ohio**

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,450,881

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

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

*Change in Net Position of Governmental Activities* \$ 1,471,738

See accompanying notes the basic financial statements.

**Northern Local School District**  
**Perry County, Ohio**  
*Statement of Receipts, Disbursements and Changes in Fund Balance*  
*Budget And Actual (Budget Basis)*  
*General Fund*  
*For The Fiscal Year Ended June 30, 2024*

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Receipts</b>				
Property Taxes	\$ 10,249,206	\$ 11,509,266	\$ 11,509,266	\$ -
Intergovernmental	13,506,067	14,082,541	14,082,541	-
Interest	5,000	30,000	33,880	3,880
Tuition and Fees	339,351	402,275	397,802	(4,473)
Rent	1,283	2,421	2,421	-
Gifts and Donations	3,500	3,500	3,500	-
Charges for Services	353,735	33,024	33,207	183
Miscellaneous	17,232	11,926	12,025	99
<i>Total Receipts</i>	<u>24,475,374</u>	<u>26,074,953</u>	<u>26,074,642</u>	<u>(311)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	9,892,566	10,617,942	10,193,307	424,635
Special	3,430,065	4,017,980	3,952,892	65,088
Vocational	320,754	359,394	358,925	469
Student Intervention Services	234,988	124,694	124,674	20
Other	2,398	5,168	5,166	2
Support Services:				
Pupils	748,211	895,772	889,146	6,626
Instructional Staff	317,169	607,563	571,053	36,510
Board of Education	73,722	76,375	36,286	40,089
Administration	1,813,410	1,990,129	1,981,645	8,484
Fiscal	867,246	929,534	910,394	19,140
Operation and Maintenance of Plant	2,076,367	2,854,998	2,773,568	81,430
Pupil Transportation	1,675,136	1,761,542	1,699,518	62,024
Central	214,801	229,341	212,273	17,068
Extracurricular Activities	293,887	321,212	320,627	585
Operation of Non-Instructional Services:				
Food Service Operations	1,590	1,590	-	1,590
<i>Total Disbursements</i>	<u>21,962,310</u>	<u>24,793,234</u>	<u>24,029,474</u>	<u>763,760</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,513,064</u>	<u>1,281,719</u>	<u>2,045,168</u>	<u>763,449</u>
<b>Other Financing Sources</b>				
Sale of Assets	49	-	-	-
Refund of Prior Year Expenditures	-	3,291	3,291	-
<i>Total Other Financing Sources</i>	<u>49</u>	<u>3,291</u>	<u>3,291</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>2,513,113</u>	<u>1,285,010</u>	<u>2,048,459</u>	<u>763,449</u>
<i>Fund Balance Beginning of Fiscal Year</i>	<u>2,792,299</u>	<u>2,792,299</u>	<u>2,792,299</u>	<u>-</u>
Prior Fiscal Year Encumbrances Appropriated	<u>491,317</u>	<u>491,317</u>	<u>491,317</u>	<u>-</u>
<i>Fund Balance End of Fiscal Year</i>	<u>\$ 5,796,729</u>	<u>\$ 4,568,626</u>	<u>\$ 5,332,075</u>	<u>\$ 763,449</u>

See accompanying notes the basic financial statements.

**Northern Local School District**  
**Perry County, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Fund*  
*June 30, 2024*

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	Governmental Activities
	<hr/>
	Internal Service Fund
	<hr/>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 508,949
<i>Total Assets</i>	<hr/> <u>\$ 508,949</u>
 <b>Net Position</b>	
Unrestricted	\$ 508,949
<i>Total Net Position</i>	<hr/> <u>\$ 508,949</u>

See accompanying notes the basic financial statements.

**Northern Local School District**

**Perry County, Ohio**

*Statement of Receipts, Disbursements and  
Changes in Fund Net Position - Cash Basis  
Proprietary Fund  
For The Fiscal Year Ended June 30, 2024*

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Governmental  
Activities -  
Internal  
Service Fund

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**Operating Receipts**

Charges for Services	\$ 5,143,463
Miscellaneous	<hr/> 954,608
<i>Total Operating Receipts</i>	<hr/> 6,098,071

**Operating Disbursements**

Purchased Services	1,490,037
Claims	<hr/> 4,587,177
<i>Total Operating Disbursements</i>	<hr/> 6,077,214

*Change in Net Position* 20,857

*Net Position Beginning of Fiscal Year* 

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488,092

*Net Position End of Fiscal Year* 

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\$ 508,949

See accompanying notes the basic financial statements.

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**Northern Local School District**  
**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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

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

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

***Reporting Entity***

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the 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.

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 does not have any component units.

The School District participates in jointly governed organizations and an insurance purchasing pool.

**Jointly Governed Organizations**

***Metropolitan Educational Technology Association***

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

**Northern Local School District**  
**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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districts. Financial information can be obtained from META's Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

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

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

**Insurance Purchasing Pools**

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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

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

***A. Basis of Accounting***

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

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

**Northern Local School District**  
**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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***B. Basis of Presentation***

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

***Government-wide Financial Statements.*** The Statement of Net Position and Statement of Activities display information about the 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" receipts and disbursements. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The School District does not have any business-type activities.

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

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

***C. Fund Accounting***

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

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

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

**Northern Local School District**  
**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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

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

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

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

**D. Cash and Investments**

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

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

For fiscal year 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2024 amounted to \$33,880 with \$15,939 assigned from other funds.

**E. Budgetary Data**

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting.

The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures at a level of control selected by the Board. The legal level of control has been established by the Board of Education

**Northern Local School District**  
**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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at the fund level. The General Fund, “Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis)” has been presented at the function level for comparative purposes.

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

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

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

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

***G. Capital Assets***

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

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

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

***I. Compensated Absences***

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

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

The School District’s modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease, Subscription-based Information Technology Arrangements (SBITA) or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay disbursement is reported at inception. Lease, SBITA and financed purchase payments are reported when paid.

**Northern Local School District**  
**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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***K. Net Position***

Net position are recorded in conjunction with assets recorded by the School District. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. None of the School District's restricted net position are the result of enabling legislation.

***L. Interfund Activity***

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

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

***M. Fund Balances***

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

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

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

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

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

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

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

**Northern Local School District**  
**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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

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

***P. Restricted Assets***

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

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

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

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

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

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

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

**Note 3 – Compliance**

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

Ohio Revised Code Section 149.351(A) states all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of. The School District was unable to locate certain documents related to financial transactions.

**Northern Local School District**  
**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**Note 4 - Deposits and Investments**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Written repurchase agreements in the securities listed above;
3. Bonds and other obligations of the State of Ohio or Ohio local governments;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Certain banker's acceptance (for a period not to exceed one hundred eighty days) and commercial paper noted (for a period not to exceed two hundred seventy days) in amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** Custodial credit risk for deposits is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$1,108,888 of the School District's bank balance of \$2,205,960 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC. The School District's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

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

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

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

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At June 30, 2024, the School District had the following investment:

S&P Global Rating	Investment	Measurement Amount	Investment Maturities	
			12 Months or Less	Percent of Total
<b>Net Asset Value (NAV):</b>				
AAAm	STAR Ohio	\$ 7,044,964	\$ 7,044,964	100.00%
	<b>Total</b>	<b>\$ 7,044,964</b>	<b>\$ 7,044,964</b>	<b>100.00%</b>

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

**Credit Risk** The School District currently has no policy in place regarding credit risk. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2024, is 47 days and carries a rating of AAAm by S&P Global Ratings.

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

#### **Note 5 - Property Taxes**

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 and public utility property located in the School District. Real property tax revenue received in calendar year 2024 represents collections of calendar year 2023 taxes. Real property taxes received in calendar year 2024 were levied after April 1, 2023, on the assessed value listed as of January 1, 2022, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2024 represents collections of calendar year 2023 taxes. Public utility real and tangible personal property taxes received in calendar year 2024 became a lien December 31, 2022, were levied after April 1, 2023 and are collected in 2024 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 Perry County. The County Auditor 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, 2024, are available to finance fiscal year 2024 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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The assessed values upon which property taxes were collected are:

	2023 Second Half Collections		2024 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 317,176,740	78.76%	\$ 391,486,830	81.35%
Public Utility Personal Property	85,514,660	21.24%	89,739,880	18.65%
	<b>\$ 402,691,400</b>	<b>100.00%</b>	<b>\$ 481,226,710</b>	<b>100.00%</b>
Full Tax Rate per \$1,000 of assessed valuation	<b>\$ 39.05</b>		<b>\$ 37.55</b>	

**Note 6 - 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. During fiscal year 2024, the School District contracted for property, builder's risk, liability, and fleet insurances.

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

**B. Workers Compensation** - the School District participated in the Ohio School Board Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 1) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to Districts and libraries that can meet the GRP's selection criteria.

**C. Self-Insurance** - During the fiscal year, employees of the School District were covered by the School District's medical/surgical and dental self-insurance Plan (the "Plan"). The School District contributed approximately 85% per month per employee to the Plan and employees authorized payroll withholdings to pay their share of the premium which was approximately 15% per month.

A comparison of the internal service fund cash and investments to the actuarially-measured liability as of June 30, 2024 follows:

	<b>2024</b>	<b>2023</b>
Cash and investments	\$ 508,949	\$ 488,092
Claims liabilities at June 30	579,000	526,000

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### **Note 7 – Defined Benefit Pension Plans**

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

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

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

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

The net pension/OPEB liability (asset) represents the School 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 plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. 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 2.5 percent COLA for calendar year 2023.

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, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$404,364 for fiscal year 2024.

***Plan Description - 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 system administered by STRS. STRS provides

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retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility charges will be phased in until August 1, 2023 when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 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.

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

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

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 to apply for disability benefits. Members in the DC plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service

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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 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,517,768 for fiscal year 2024.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0624666%	0.07758642%	
Prior Measurement Date	0.0767220%	0.08107823%	
Change in Proportionate Share	<u>-0.0142554%</u>	<u>-0.00349181%</u>	
Proportionate Share of the Net Pension Liability	\$ 3,451,600	\$ 16,708,187	\$ 20,159,787

***Actuarial Assumptions - SERS***

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will 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

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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, 2023, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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 investment expense, including inflation
COLA or Ad Hoc COLA	2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

Mortality rates 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 two 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 five years and adjusted 103.3 percent for males and set forward three 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 for the five year period ended June 30, 2020.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
Cash	2.00 %	0.75	%
US Equity	24.75	4.82	
Non-US Equity Developed	13.50	5.19	
Non-US Equity Emerging	6.75	5.98	
Fixed Income/Global Bonds	19.00	2.24	
Private Equity	12.00	7.49	
Real Estate/Real Assets	17.00	3.70	
Private Debt/Private Credit	<u>5.00</u>	5.64	
Total	<u>100.00 %</u>		

**Discount Rate** The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate of fiscal year 2023 was 14.00 percent. 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. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

**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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School District'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.

	Current		
	1% Decrease	Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 5,094,387	\$ 3,451,600	\$ 2,067,867

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023, actuarial valuation, are presented below:

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Inflation	2.50 percent
Salary Increases	
Current Measurement Period	Varies by service from 2.50 percent to 8.50 percent
Prior Measurement Period	
Payroll Increases	3.00 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent

Post-retirement mortality rates for healthy retirees are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

Asset Class	Target	Long-Term Expected	
	Allocation*	Rate of Return**	
Domestic Equity	26.00 %	6.60	6 %
International Equity	22.00	6.80	
Alternatives	19.00	7.38	
Fixed Income	22.00	1.75	
Real Estate	10.00	5.75	
Liquidity Reserves	1.00	1.00	
Total	<u>100.00 %</u>		

\*Final target weights reflected at October 1, 2022.

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. 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, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent

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was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2023.

***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:

	Current		
	1% Decrease	Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 25,693,494	\$ 16,708,187	\$ 9,109,076

***Assumption and Benefit Changes Since the Prior Measurement Date*** The discount rate remained at 7.00 percent for June 30, 2023 valuation. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

#### **Note 8 – Defined Benefit OPEB Plans**

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

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

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

Health Care Plan Description - The 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. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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 Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any

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health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, 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 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the School District's surcharge obligation was \$52,001. 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 equal to its surcharge obligation for fiscal year 2024.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (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:

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	<u>SERS</u>	<u>STRS</u>
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.0643602%	0.07758642%
Prior Measurement Date	0.0786652%	0.08107823%
Change in Proportionate Share	<u>-0.0143050%</u>	<u>-0.00349181%</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,060,298	\$ (1,508,949)

***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, 2023, are presented below:

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Inflation	2.40 percent
Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expenses, including expenses
Fiduciary Net Position Depletion	Projected to be 2048
Municipal Bond Index Rate	
Measurement Date	3.86 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate	
Measurement Date	4.27 percent, net of plan investment expense, including price inflation
Prior Measurement Date	4.08 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.125 percent - 4.40 percent
Pre-Medicare	6.75 percent - 4.40 percent
Medical Trend Assumption	6.75 percent - 4.40 percent

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 long-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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	0.75 %
US Equity	24.75	4.82
Non-US Equity Developed	13.50	5.19
Non-US Equity Emerging	6.75	5.98
Fixed Income/Global Bonds	19.00	2.24
Private Equity	12.00	7.49
Real Estate/Real Assets	17.00	3.70
Private Debt/Private Credit	5.00	5.64
Total	100.00 %	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 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, 2023, and the June 30, 2022, 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 3.86 percent at June 30, 2023 and 3.69 percent at June 30, 2022.

**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 and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.27 percent) and higher (5.27 percent) than the current discount rate (4.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate (6.75 percent decreasing to 4.40 percent).

	Current		
	1% Decrease	Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,355,365	\$ 1,060,298	\$ 827,627
Current			
	1% Decrease	Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 778,965	\$ 1,060,298	\$ 1,433,105

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***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023 and 2022, actuarial valuation are presented below:

	June 30, 2023	June 30, 2022
Projected Salary Increases	Varies by service from 2.50 percent to 8.50 percent	Varies by service from 2.50 percent to 8.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 4.14 percent ultimate	7.50 percent initial 3.94 percent ultimate
Medicare	-10.94 percent initial 4.14 percent ultimate	-68.78 percent initial 3.94 percent ultimate
Prescription Drug		
Pre-Medicare	-11.95 percent initial 4.14 percent ultimate	9.00 percent initial 3.94 percent ultimate
Medicare	1.33 percent initial 4.14 percent ultimate	-5.47 percent initial 3.94 percent ultimate

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

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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:

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Asset Class	Target Allocation*	Long-Term Expected Rate of Return**
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	<u>1.00</u>	1.00
Total	<u>100.00 %</u>	

\*Final target weights reflected at October 1, 2022.

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on 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, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2023, 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.

	Current		
	1% Decrease	Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB (Asset)	\$ (1,277,128)	\$ (1,508,949)	\$ (1,710,840)
Current			
School District's Proportionate Share of the Net OPEB (Asset)	1% Decrease	Trend Rate	1% Increase
	\$ (1,720,209)	\$ (1,508,949)	\$ (1,254,489)

**Assumption Changes Since the Prior Measurement Date** The discount rate remained unchanged at 7.00 percent for the June 30, 2023 valuation.

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**Benefit Term Changes Since the Prior Measurement Date** Healthcare trends were updated to reflect emerging claims and recoveries experiences as well as benefit changes effective January 1, 2024.

**Note 9 - Long Term Obligations**

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Government Activities</b>					
Construction & Improvement					
Refunding Bonds					
Mature 10/2023; 1.00%-3.50%	\$ 420,000	\$ -	\$ 420,000	\$ -	\$ -
2013 Energy Conservation Bonds					
Mature 12/2028; 1.00%-4.00%	875,000	-	135,000	740,000	140,000
House Bill 264 Energy Conservation Note					
Mature 12/2032; 2.87%	1,341,398	-	124,717	1,216,681	128,322
Permanent Improvement					
Tax Anticipation Notes					
Mature 12/2025; 2.71%	1,440,000	-	480,000	960,000	480,000
Total	<u>\$ 4,076,398</u>	<u>\$ -</u>	<u>\$ 1,159,717</u>	<u>\$ 2,916,681</u>	<u>\$ 748,322</u>

During fiscal year 2012, the School District issued \$4,194,997 in Construction & Improvement Refunding Bonds which consisted of \$4,100,000 in serial bonds and \$94,997 in capital appreciation bonds. The capital appreciation bonds matured on October 1, 2018. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest was paid and the bond holder collected the face value. However, since interest was technically earned and compounded semi-annually, the value of the bond increased. The debt was repaid from the Debt Service Fund and subsequently retired.

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

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

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

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

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

Fiscal Year Ending June 30		Principal	Interest
2025	\$	748,322	\$ 86,261
2026		752,032	64,503
2027		280,848	41,979
2028		294,775	32,052
2029		303,815	21,712
2030-2033		536,889	31,255
	\$	2,916,681	\$ 277,762

## Note 10 - Contingencies

### *A. Grants*

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

## B. *Litigation*

There are currently no matters in litigation with the School District as defendant.

### **C. Foundation Funding**

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. As of the date of this report, additional ODE adjustments for fiscal year 2024 are not finalized. As a

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result, the impact of future FTE adjustments on the fiscal year 2024 financial statements is not determinable, at this time. Management believes this may result in either an additional liability of, or a receivable to, the School District.

**Note 11 - Set asides**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The following describes the changes in the year end capital Acquisition set-aside:

	<u>Capital Improvement Reserve</u>
Set-Aside Restricted Balance as of June 30, 2023	\$ -
Current Year Set-Aside Requirement	486,486
Current Year Offsets	<u>(2,050,547)</u>
Total	<u><u>\$(1,564,061)</u></u>
Balance Carried Forward to Fiscal Year 2025	<u><u>\$ -</u></u>
Set-aside Restricted Balance June 30, 2024	<u><u>\$ -</u></u>

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

**Note 12 – Significant Commitments**

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

Fund	Amount
General Fund	\$ 346,934
Permanent Improvement	420,155
Other Governmental Funds	<u>683,011</u>
	<u><u>\$ 1,450,100</u></u>

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**Note 13 – Classification of Fund Balance**

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

	Bond		Permanent		Other		<b>Total</b>
	General	Retirement	Improvement	Governmental			
<b>Restricted for:</b>							
Capital Projects	\$ -	\$ -	\$ 1,404,303	\$ 171,010	\$ 1,575,313		
Food Service	-	-	-	499,479	499,479		
Recreation	-	-	-	70	70		
Extracurricular Activities	-	-	-	343,166	343,166		
State and Federal Grants	-	-	-	550,610	550,610		
Other Purposes	-	-	-	331,498	331,498		
<b>Total Restricted</b>	<b>-</b>	<b>-</b>	<b>1,404,303</b>	<b>1,895,833</b>	<b>3,300,136</b>		
<b>Assigned for:</b>							
Encumbrances:							
Instruction	95,484	-	-	-	-	95,484	
Support Services	237,604	-	-	-	-	237,604	
Public School Support	152,755	-	-	-	-	152,755	
Subsequent Year Appropriations	293,261	-	-	-	-	293,261	
<b>Total Assigned</b>	<b>779,104</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>779,104</b>	
Unassigned	5,038,807	-	-	(441,841)	4,596,966		
<b>Total Fund Balance</b>	<b>\$ 5,817,911</b>	<b>\$ -</b>	<b>\$ 1,404,303</b>	<b>\$ 1,453,992</b>	<b>\$ 8,676,206</b>		

The following funds had a deficit cash and fund balance as of June 30, 2024:

	<u>Deficit</u>
	<u>Fund Balance</u>
<b>Nonmajor Governmental Funds:</b>	
21st Century	\$ 341,058
Title VI-B	45,276
Title I	47,196
Improving Teacher Quality	4,778
Misc Federal Grants	3,533
	<u><b>\$ 441,841</b></u>

The deficit cash balances were due to the timing differences between grant receipts and disbursements in the grant funds. The general fund is liable for any deficits in these funds and will provide transfers when cash is required.

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**Note 14 – Budgetary Basis of Accounting**

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

The difference between the budgetary basis and the cash basis is outstanding fiscal year-end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted or assigned fund balance (cash basis). In addition, differences may exist based on fund type reporting criteria between the cash basis financial statements and budgetary basis financial statements. The budgetary comparison information presented at June 30, 2024 for the General Fund represents the legally adopted budget for the General Fund without modification for any other funds combined with the General Fund for reporting purposes.

<b>Net Change in Fund Balance</b>	
	<b>General Fund</b>
Cash Basis	<u>\$ 2,396,807</u>
Public School Support Fund	(15,260)
Adjustment for Encumbrances	<u>(333,088)</u>
 Budget Basis	 <u>\$ 2,048,459</u>

**Note 15 – Interfund Activity - Transfers**

During the fiscal year, the School district transferred \$880,311 from the Bond Retirement Fund to the Permanent Improvement Fund for the purpose of closing out the Bond Retirement Fund. The proceeds were from savings from refinancing the bonds and paying off the principal balance early.

**NORTHERN LOCAL SCHOOL DISTRICT  
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
School Breakfast Program	10.553	N/A	\$35,947
National School Lunch Program	10.555	N/A	49,640
Non-Cash Assistance (Food Distribution) Subtotal			<u>85,587</u>
Cash Assistance:			
School Breakfast Program	10.553	N/A	397,246
COVID-19 National School Lunch Program	10.555	N/A	65,493
National School Lunch Program	10.555	N/A	556,930
Cash Assistance Subtotal			<u>1,019,669</u>
Total Child Nutrition Cluster:			<u>1,105,256</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>1,105,256</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	398,834
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	537,789
Total Special Education Cluster			<u>537,789</u>
Twenty-First Century Community Learning Centers	84.287	N/A	333,080
Supportive Effective Instruction State Grant	84.367	N/A	87,366
Student Support and Academic Enrichment Program	84.424	N/A	85,782
COVID-19 Elementary and Secondary School Relief Fund - ARP ESSER	84.425U	N/A	<u>96,502</u>
<b>Total U.S. Department of Education</b>			<b><u>1,539,353</u></b>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
<i>Passed Through Ohio Department of Budget and Management:</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>8,400</u>
<b>Total U.S. Department of the Treasury</b>			<b><u>8,400</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$2,653,009</u></b>

*The accompanying notes are an integral part of this schedule.*

**NORTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR § 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District under programs of the federal government for the fiscal year ended June 30, 2024. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

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

**NOTE E – FOOD DONATION PROGRAM**

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, (the School District) as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 4, 2024, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 School 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2024-003, 2024-005 and 2024-006 that we consider to be material weaknesses.

Northern Local School District

Perry County

Independent Auditor's Report on Internal Control

Over Financial Reporting and on Compliance and Other Matters

Required by *Government Auditing Standards*

Page 2

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2024-001, 2024-002, 2024-003 and 2024-004.

### ***School District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's responses to the findings identified in our audit and described in the accompanying schedule of findings and corrective action plan. The School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### ***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 School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilson, Shumard & Snow, Inc.*

Newark, Ohio

December 4, 2024

**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**

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

To the Board of Education:

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Northern Local School District's (the School 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 the School District's major federal program for the fiscal year ended June 30, 2024. The 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, the Northern Local 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 fiscal year ended June 30, 2024.

***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 School 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 School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

The School 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 School District's federal programs.

Northern Local School District

Perry County

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

Page 2

### ***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 School 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 School 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 School 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 School 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 School 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.

Northern Local School District

Perry County

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

Page 3

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.

*Wilson, Shannon & Snow, Inc.*

Newark, Ohio

December 4, 2024

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

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

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

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

**FINDING NUMBER 2024-001**

**Noncompliance**

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

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

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

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

**FINDING NUMBER 2024-001 (Continued)**

**Noncompliance (Continued)**

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

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

**Officials' Response:** The School District has contracted with a CPA firm and will begin filing annual reports on a generally accepted accounting principles basis beginning with the 2024-25 school year.

**FINDING NUMBER 2024-002**

**Noncompliance**

Ohio Revised Code Section 149.351(A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Ohio Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed lawfully.

The School District was unable to locate support for credit card purchases covering the entire fiscal year 2024; in addition there were no monthly credit card statements maintained. The Treasurer was able to obtain credit card transactions from September 2023 through June 2024, however the original statements and support for purchases appear to have been removed from the School District or destroyed unlawfully.

We recommend the School District follow the provisions of its record retention policy and retain documentation in accordance with the Ohio Revised Code.

**Officials' Response:** The School District has developed a Records Retention Schedule approved by the State Auditor's Office and Ohio History Connection. In addition, procedures for the proper destruction of records have been implemented.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

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

**FINDING NUMBER 2024-003**

**Material Weakness/Noncompliance**

Board Policy 6423 – Use of Credit Cards states in part that the Board of Education recognizes the value of an efficient method of payment and recordkeeping for certain expenses, thereby authorizing the use of School District credit cards. The Superintendent shall develop administrative guidelines that specify those authorized to use credit card, the types of expense which can be paid by credit card, and their proper supervision and use.

The Credit Card Administrative Guidelines (developed in 2019 by the former Superintendent) states in part the Board recognizes the efficiency and convenience afforded the day to day operations of the School District through the use of credit cards under the supervision of the Treasurer. However, credit cards are not to be used to circumvent the general purchasing procedures required by State law and Board policies. The Administrative Guidelines include related procedures and policies that should be adhered to related to credit card use and monitoring.

In the course of our audit, we noted the following:

- Guidelines state the Board appoints a compliance officer annually at the organizational meeting and the Treasurer cannot serve as the compliance officer; no compliance officer was appointed.
- Guidelines state credit cards may only be used for items determined to be proper public use and all itemized receipts will be turned into the Treasurer's office after the use of the credit card and if there is any personal items charged, the employee must pay at that time; since there were no receipts or supporting documents for credit card purchases maintained in the Treasurer's office for fiscal year 2024, we are unable to determine if such documents were submitted or reviewed prior to paying the monthly credit card balances and posting expenditures to the School District's accounting system.
- Guidelines state payments of any fines or penalties are considered unauthorized use; we noted \$156 in late penalties and \$1,481.28 in finance charges related to unpaid balances on the School District's credit card accounts. These penalties and finance charges were incurred and paid throughout the fiscal year.

In review of the Credit Card Administrative Guidelines, the elements included are in line with best practices as it relates to credit card use, monitoring, and reporting. Although credit cards were used by the School District during fiscal year 2024, based on review of credit card transactions obtained by the current Treasurer, there was a lack of oversight of the use of credit cards along with deficiencies in record maintenance and review to ensure purchases were properly documented and supported.

We recommend the School District review and update procedures related to credit card use, monitoring, and reporting to ensure compliance with Board Policy and Administrative Guidance.

**Officials' Response:** The School District has implemented a new credit card program, and adopted a new Board policy on acceptable credit card use. The School District has implemented procedures that segregate credit card duties between the Account Clerk and Treasurer, and appointed a Credit Card Compliance Officer outside of the Treasurer's Office to review all credit card transactions on monthly basis.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

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

**FINDING NUMBER 2024-004**

**Noncompliance**

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

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

During fiscal year 2024, the School District incurred \$248.00 in overdraft fees on the School District’s payroll account. These overdraft fees were due to manual ACH transfers made throughout the fiscal year from the School District’s PNC regular and clearing bank accounts to the Commodore payroll bank account in amounts less than the amounts needed to fulfill the commitments, made after the payment of withholdings, or made after payroll was already processed. Overdraft fees were incurred by the School District for 2 out of the 12 months in fiscal year 2024. The overdraft fees paid by the School District serve no proper public purpose and could have been avoided had the transfers been made in a timely manner. For the fees incurred in June 2024 totaling \$93.00, there was a repayment of this amount to the School District’s Commodore payroll account by the former Treasurer within the month of June 2024.

We recommend the School District should make timely transfers to ensure overdraft fees are not incurred. The current Treasurer has established new bank accounts with North Valley Bank; having the general and payroll accounts with the same financial institution will help to avoid future timing deficiencies as it relates to transfer of funds between accounts.

In addition, we noted \$156.00 in late penalties and \$1,481.28 in finance charges related to unpaid balances on the School District’s credit card accounts. These penalties and finance charges were incurred and paid throughout the fiscal year.

We recommend the School District review and process credit card statements in a timely manner to ensure payments are made by the due date to avoid late penalties and finance charges.

**Officials’ Response:** The School District has streamlined banking institutions and implemented dual control banking transactions to ensure that timely transfers and payments are made, avoiding late payment penalties or NSF (non-sufficient funds) charges.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

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

**FINDING NUMBER 2024-005**

**Material Weakness**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is a primary control process performed.

During our testing of the School District's June 30, 2024 bank reconciliation we noted reconciling items, consisting of the following:

- Unreconciled variance of \$998.66 which is the net of errors in interest reporting (\$1.34) and credit card related expense (\$1,000) incurred during fiscal year end 2024.
- We noted the School District's bank reconciliation includes a cash on hand amount of \$265,000 for the School District's health insurance bank account but this account's bank balance at June 30, 2024 was \$126,147, a variance of \$138,853. Although United Healthcare required the School District to maintain an imprest balance of \$265,000 during fiscal year 2024, the amount on the reconciliation could provide an incomplete picture on the status of the School District's finances to its management. The School District's financial statement compilers adjusted for this on the School District's financial statements.

Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

Monthly bank to book cash reconciliations should include all bank accounts and their balances as reported by the bank and School District fund balances should only record receipts and disbursements on the cash basis. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document their reviews.

**Officials' Response:** Bank reconciliations are being done timely and accurately reflecting current bank balances and monthly transactions as of the end of each month. Separation of duties including dual review and approval processes have been implemented between the Account Clerk, Payroll Clerk and Treasurer. The Board is also now receiving detailed monthly financial reports to review which includes the monthly reconciliation.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

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

**FINDING NUMBER 2024-006**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies.

In addition, management should plan for adequate segregation of duties or compensating controls.

During our testing, we noted that several code corrections were made to the School District's accounting system records. Since there was no supporting documentation for the corrections, we reviewed the notes and descriptions within the accounting software to determine purpose of the code corrections appear to be for:

- to reallocate amounts charged to various funds contrary to what was approved and posted as part of the School District's normal accounts payable processing procedures;
- to record cash withdrawals for change funds and to reduce cash balances to reflect bank overdraft fees incurred by the School District;
- to record purchases made on the School District credit cards.

We also noted that the Treasurer was primarily responsible for authorizing and posting adjustments to the School District's accounting system, as well as responsible for the School District's monthly bank-to-book reconciliations. In addition, we noted the School District did not maintain supporting documentation affirming the necessity to make the code corrections and confirmation that such code corrections were reviewed by someone independent from the posting process.

Cash withdrawals should be clearly identified in the School District's accounting system and cash-on-hand should be included on the School District's monthly bank reconciliation presented to the Board of Education.

All expenditures incurred by the School District should be posted in the name of the vendor and should be clearly identified in the School District's accounting system as well as in the accounting reports presented to the Board of Education.

In addition, the School District should ensure that adequate supporting documentation is maintained for all code corrections posted to the School District's accounting system.

With the hiring of the current Treasurer, the School District has revised its current procedures to ensure appropriate segregation of duties exists for the authorizing and processing of code corrections as well as posting expenditures to proper vendor accounts and monthly bank reconciliations. The current Treasurer plans to eliminate the use of code corrections along with increasing segregation of duties.

**Officials' Response:** The practice of using bulk correcting entries at month end by the former Treasurer has been ceased and all transactions are being posted in detail through the accounting system as they occur. Segregation of duties have been implemented by allowing the Account Clerk to receive, enter and reconcile all bank deposits, which are then reviewed by the Treasurer.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

**3. FINDINGS FOR FEDERAL AWARDS**

None.



# Northern Local Schools

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

## Superintendent

Angela Gussler

## Treasurer

Jennifer Clifton  
(740) 743-1623

## Director of Operations & Student Services

Clinton Rhodes

## EMIS

Kelly Wright

## Special Education

Gretchen Combs

## Technology Coordinator

Chris Hill

## Sheridan High School

Lisa Householder, Principal  
(740) 743-1335

## Sheridan Middle School

Ed Wolfel, Principal  
(740) 743-1315

## Glenford Elementary

Lori Tussing, Principal  
(740) 659-2209

## Somerset Elementary

Amy VanBalen, Principal  
(740) 743-1454

## Thornville Elementary

Jay Hickman, Principal  
(740) 246-6636

## Maintenance/Transportation

Dale Factor, Supervisor  
(740) 743-1303

## Director of Transportation

Lisa Wells  
(740) 743-1533

## Board Members

Dale DeRolph  
Levi Dupler  
Patrick Hogan  
Megan Miller  
Sharon Cains

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

JUNE 30, 2024

Finding Number	Finding Summary	Status	Additional Information
2023-001	Material noncompliance citation with Ohio Revised Code Section 117.137 and Ohio Administrative Code Section 117-2-03(b) for not preparing the annual financial report pursuant to generally accepted accounting principles. The District has always reported following the cash basis.	Not Corrected	The District has contracted with a CPA firm and will begin filing annual reports on a generally accepted accounting principles basis beginning with the 2024-25 school year.



# Northern Local Schools

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Patrick Hogan  
Megan Miller  
Sharon Cains

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2024**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2024-001	The District has contracted with a CPA firm and will begin filing annual reports on a generally accepted accounting principles basis beginning with the 2024-25 school year.	6/30/2025	Jennifer Clifton, Treasurer
2024-002	The District has developed a Records Retention Schedule approved by the State Auditor's Office and Ohio History Connection. In addition, procedures for the proper destruction of records have been implemented.	10/2/2024	Jennifer Clifton, Treasurer
2024-003	The District has implemented a new credit card program, and adopted a new Board policy on acceptable credit card use. The District has implemented procedures that segregate credit card duties between the Account Clerk and Treasurer, and appointed a Credit Card Compliance Officer outside of the Treasurer's Office to review all credit card transactions on monthly basis.	9/12/2024	Jennifer Clifton, Treasurer



# Northern Local Schools

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(740) 743-1335

**Sheridan Middle School**

Ed Wolfel, Principal  
(740) 743-1315

**Glenford Elementary**

Lori Tussing, Principal  
(740) 659-2209

**Somerset Elementary**

Amy VanBalen, Principal  
(740) 743-1454

**Thornville Elementary**

Jay Hickman, Principal  
(740) 246-6636

**Maintenance/Transportation**

Dale Factor, Supervisor  
(740) 743-1303

**Director of Transportation**

Lisa Wells  
(740) 743-1533

**Board Members**

Dale DeRolph  
Levi Dupler  
Patrick Hogan  
Megan Miller  
Sharon Cains

2024-004	The District has streamlined banking institutions and implemented dual control banking transactions to ensure that timely transfers and payments are made, avoiding late payment penalties or NSF charges.	7/1/2024	Jennifer Clifton, Treasurer
2024-005	Bank reconciliations are being done timely and accurately reflecting current bank balances and monthly transactions as of the end of each month. Separation of duties including dual review and approval processes have been implemented between the Account Clerk, Payroll Clerk and Treasurer. The Board is also now receiving detailed monthly financial reports to review which includes the monthly reconciliation.	7/1/2024	Jennifer Clifton, Treasurer
2024-006	The practice of using bulk correcting entries at month end by the former Treasurer has been ceased and all transactions are being posted in detail through the accounting system as they occur. Separation of duties have been implemented by allowing the Account Clerk to receive, enter and reconcile all bank deposits, which are then reviewed by the Treasurer.	7/1/2024	Jennifer Clifton, Treasurer

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# OHIO AUDITOR OF STATE KEITH FABER



## NORTHERN LOCAL SCHOOL DISTRICT

### PERRY COUNTY

#### AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/4/2025

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

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