NORTON CITY SCHOOL DISTRICT

SUMMIT COUNTY, OHIO

SINGLE AUDIT

For the Year Ended June 30, 2023

Charles E. Harris & Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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Board of Education
Norton City School District
4128 Cleveland-Massillon Road
Norton, Ohio 44203

We have reviewed the *Independent Auditor's Report* of the Norton City School District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

February 27, 2024

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Norton City School District
Summit County

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norton City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
December 28, 2023

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This discussion and analysis of Norton City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2023 are as follows:

- Net position of governmental activities increased $2,675,884 from fiscal year 2022.

- General revenues accounted for $26,449,270 in revenue or 81.01% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for $6,201,095 or 18.99% of total revenues of $32,650,365.

- The School District had $29,974,481 in expenses related to governmental activities; only $6,201,095 of these expenses was offset by program specific revenues that include charges for services and operating grants, contributions and interest. General revenues of $26,449,270 were able to cover these programs.

- The School District had three major governmental funds, the general fund, the bond retirement debt service fund, and the permanent improvement capital projects fund. The general fund's balance increased $1,580,766 to a balance of $5,385,236 at June 30, 2023. The bond retirement fund balance increased $152,934 to a balance of $986,449 at June 30, 2023. The permanent improvement fund's balance decreased $171,416 to a balance of $886,891 at June 30, 2023. Please see the further discussion below.

Using this Annual Financial Report

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

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2023?" These statements include all non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis, of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the School District's activities are considered to be all Governmental Activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2023, the School District had an increase in net position of $2,675,884.

Table 1 provides a summary of the School District's net position for 2023 compared to 2022:

Table 1
Net Position

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	$ 21,307,075	$ 21,454,119
Net OPEB asset	2,312,637	1,936,890
Capital assets, net of depreciation	36,937,876	37,224,592
Total assets	60,557,588	60,615,601
Deferred outlows of resources		
Deferred charge on refunding	737,742	778,277
Pension	5,964,649	5,873,926
OPEB	519,621	619,921
Total deferred outflowed of resources	7,222,012	7,272,124
Liabilities		
Current and other liabilities	2,334,688	2,655,212
Long-term liabilities:		
Due within one year	642,315	568,906
Due in more than one year:		
Net pension liability	25,156,315	15,351,410
Net OPEB liability	1,413,774	1,905,595
Other amounts	23,571,496	23,864,815
Total liabilities	53,118,588	44,345,938
Deferred inflows of resources		
Deferred charge on refunding	160,939	171,921
Property taxes	8,784,091	10,336,249
Pension	2,948,781	13,010,913
OPEB	3,785,630	3,717,017
Total deferred inflowed of resources	15,679,441	27,236,100
Net Position		
Net investment in capital assets	15,431,619	15,228,666
Restricted	3,472,006	3,002,178
Unrestricted (deficit)	(19,922,054)	(21,925,157)
Total net position	$ (1,018,429)	$ (3,694,313)

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

A portion of the School District's net position, $3,472,006, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, $ 925,843 is restricted for capital projects, $939,083 is restricted for debt service, $735,570 is restricted for food services, $325,441 is restricted for STRS OPEB and $546,069 is restricted for other purposes. The remaining balance of net position is a deficit of $19,922,054 and is unrestricted.

The net pension liability is the largest single liability reported by the School District at June 30, 2023.

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

In addition to the $1,048,605 negative expense reported for changes in net Pension and OPEB liability, asset and related inflows/outflows, the School District is reporting a negative expense in the amount of $2,415,201 for contractually required contributions in the net OPEB and pension liability for fiscal year 2023.

Table 2 shows changes in net position for fiscal year 2023 compared to fiscal year 2022:

Table 2
Changes in Net Position

	Governmental Activities 2023	2022
Revenues		
Program revenues:		
Charges for services	$ 2,115,744	$ 1,819,595
Operating grants, contributions and interest	4,085,351	4,943,291
General revenues:		
Property taxes	12,578,665	10,757,139
Income taxes	2,111,624	1,921,725
Grants and entitlements	11,579,108	12,306,776
Investment earnings	138,967	2,393
Miscellaneous	40,906	18,017
Total revenues	32,650,365	31,768,936
Program Expenses		
Instruction:		
Regular	11,758,390	10,334,443
Special	4,312,506	3,350,349
Vocational	669,703	591,368
Adult/continuing	6,998	9,370
Student intervention services	61,617	77,480
Support services:		
Pupils	2,737,553	2,526,129
Instructional staff	729,853	413,823
Board of education	37,625	42,984
Administration	1,769,568	1,639,325
Fiscal	651,552	620,355
Business	356,580	317,421
Operation and maintenance of plant	2,439,434	2,171,956
Pupil transportation	1,421,124	1,282,954
Central	130,197	84,086
Operation non-instructional services:		
Operation of food services	1,110,299	1,091,538
Community services	5,147	3,163
Extracurricular activities	1,012,100	801,240
Interest and fiscal charges	764,235	795,484
Total expenses	29,974,481	26,153,468
Change in net position	2,675,884	5,615,468
Net position beginning of year	(3,694,313)	(9,309,781)
Net position end of year	$ (1,018,429)	$ (3,694,313)

Governmental Activities

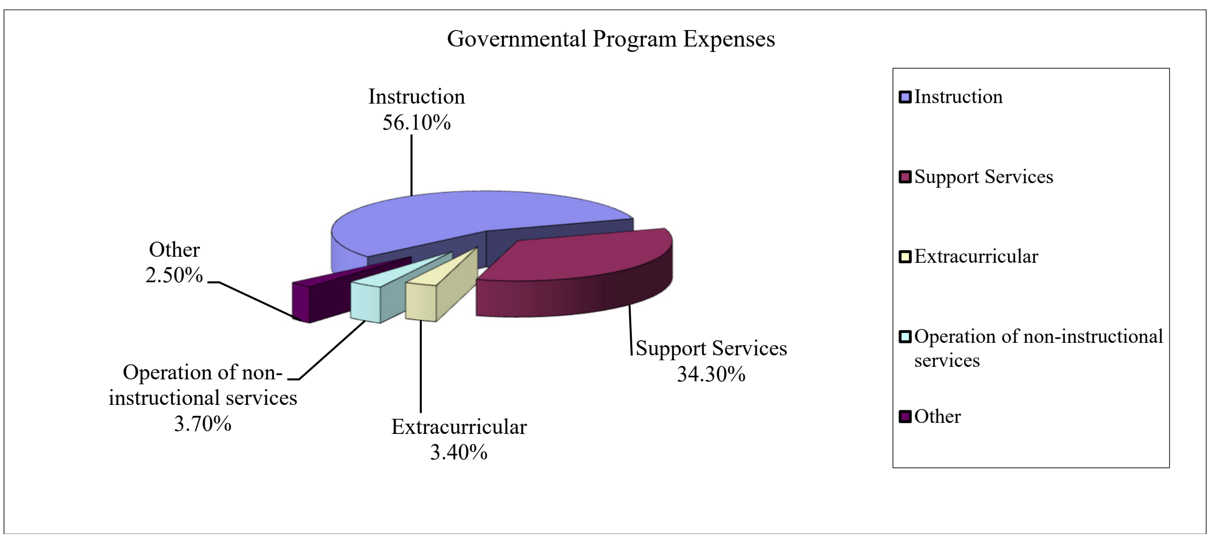
Norton City School District depends on both property taxes and State funding.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over $12.5 million in 2023. Income tax generated over $2.1 million. General revenues from grants and entitlements, such as the school foundation program, generated over $11.5 million. Due to the combination of taxes and intergovernmental funding representing 81.01% of all revenues, the School District monitors both of these sources very closely for fluctuations.

A review of Table 2 reflects that the total cost of instructional services was $16,809,214, or 56.08% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. As compared to the prior year, these expenses increased $2,446,204, or 17.03%. This increase is due to significant net pension and net OPEB changes for the current fiscal year.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent $3,467,406 of the total governmental program expenses, or 11.57%. These expenses increased over the prior year in the amount of $527,454 or 17.94% again, due to significant net pension and net OPEB changes for the current fiscal year.

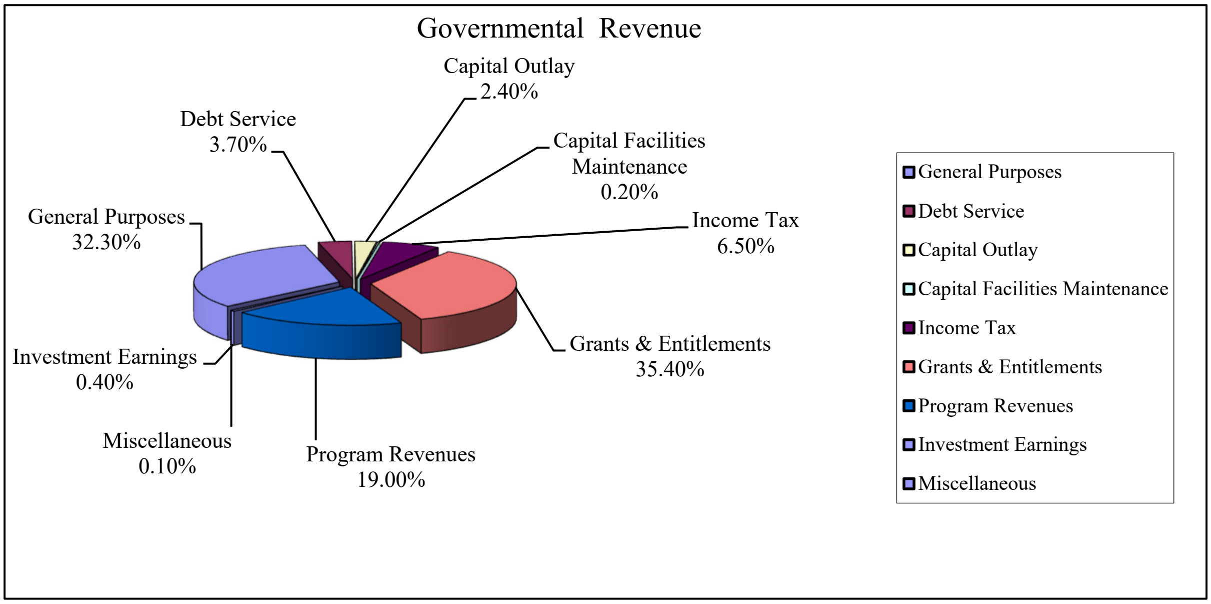
Below is a graphical display of the program expenses in a more aggregate total than the table above.



Board of Education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was $2,815,325 or 9.39% of governmental program expenses.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was $2,439,434, or 8.14% of the governmental program expenses. Expenses for providing this program increased $267,478, or 12.32% as compared to the prior year.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was $1,421,124, or 4.74% of the total governmental program expenses. Expenses for providing this program increased $138,170, or 10.77% as compared to the prior year.



Program revenues include charges for services, grants, contributions and interest that are program specific. Property taxes made up 38.6% of total revenues for governmental activities for the Norton City Schools in fiscal year 2023 while program revenues for governmental activities provided 19.0% of governmental revenues. The property revenue is reported by the purpose of the levy, such as; general purpose, debt service, capital outlay and capital facilities maintenance. The 35.4% provided by the grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920. Income tax represents 6.5%.

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

Table 3
Impact on Net Position from Pension and OPEB Reporting

	2023	2022
Deferred outflows of resources for:		
Pension	$ 5,964,649	$ 5,873,926
OPEB	519,621	619,921
Deferred inflows of resources for:		
Pension	(2,948,781)	(13,010,913)
OPEB	(3,785,630)	(3,717,017)
Net pension liability	(25,156,315)	(15,351,410)
Net OPEB asset	2,312,637	1,936,890
Net OPEB liability	(1,413,774)	(1,905,595)
Impact on net position from pension and OPEB reporting	$ (24,507,593)	$ (25,554,198)

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were $32,807,202 and total expenditures and other financing uses were $31,011,850. The net change in fund balance for governmental funds was an increase of $1,795,352. This overall increase in fund balance was mainly due to revenues exceeding expenditures. This was mainly do from the increase in intergovernmental revenue and property tax revenue that is related to the change in the amount in available in advance.

Table 4
Change in Fund Balance

Fund	Fund Balance June 30, 2023	Fund Balance June 30, 2022	Increase (Decrease)
General	$ 5,385,236	$ 3,804,470	$ 1,580,766
Bond retirement	986,449	833,515	152,934
Permanent improvement	886,891	1,058,307	(171,416)
Other governmental	1,187,484	954,416	233,068
Total	$ 8,446,060	$ 6,650,708	$ 1,795,352

General Fund

The School District's general fund balance increased by $1,580,766 during the fiscal year. The increase in fund balance in the general fund was mainly the result of increased property taxes and intergovernmental revenues. Property taxes fluctuate based on the amount available as an advance from year to year. In addition, expenditures remained primarily flat from 2022 to 2023. The tables that follow assist in illustrating the financial activities and fund balance of the general fund.

Table 5
General Fund - Change in Revenue

	2023 Amount	2022 Amount	Percent Change
Property taxes	$ 10,520,474	$ 9,065,518	16.05%
Income taxes	2,118,707	1,897,633	11.65%
Intergovernmental	12,384,094	13,518,801	(8.39%)
Interest	138,967	2,393	5707.23%
Tuition and fees	1,426,064	1,565,661	(8.92%)
Extracurricular activities	95,843	92,407	3.72%
Gifts and donations	17,587	86,955	(79.77%)
Charges for services	149	170	(12.35%)
Rent	7,571	5,515	37.28%
Miscellaneous	48,172	52,942	(9.01%)
Total	$ 26,757,628	$ 26,287,995	

Overall revenues within the general fund increased $469,633 for the fiscal year. This is due mainly to an increase in property tax, income taxes, and interest income for the current fiscal year.

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

Table 6
General Fund - Change in Expenditures by Type

Expenditures	2023 Amount	2022 Amount	Percent Change
Instruction	$ 15,014,821	$ 14,178,109	5.90%
Support services	9,466,037	8,784,315	7.76%
Operation of non-instructional services	144	-	n/a
Extracurricular activities	550,564	505,405	8.94%
Capital outlay	97,296	21,165	359.70%
Debt service	-	20,028	(100.00%)
Total	$ 25,128,862	$ 23,509,022	

Expenditures increased $1,619,840 from the prior year. This increase is mainly due to increased costs related to instruction and support services.

Bond Retirement Fund

The bond retirement fund balance increased $152,934. This was due to an increase in property taxes as mentioned above property taxes fluctuate based on the amount available as an advance from year to year.

Permanent Improvement Fund

The School District's permanent improvement fund balance decreased by $171,416, this was due to the total expenditures exceeding total revenues. Expenditures exceeded revenues primarily from significant capital purchases from this fund.

General Fund Budgeting Highlights

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

For the general fund, the original budgeted revenue and other financing source estimate was $26,251,592. This amount was changed during the year, resulting in a final revenue budget of $25,355,604. Actual revenue and other financing sources reported was $25,355,604 which is $895,988 lower than the original budgeted amounts.

The original expenditures and other financing uses estimate of $30,547,667 was revised slightly over the course of the fiscal year. The final budgeted expenditures and other financing uses were $29,651,679, which was a decrease of $895,988 or 3.2 percent over the original budget. Actual expenditures, including encumbrances and other financing uses were under budget by $4,239,599. This was the result of conservative spending by the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, the School District had $36,937,876 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 7 shows fiscal year 2023 balances compared to fiscal year 2022:

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

	Governmental Activities	
	2023	2022
Land	$ 1,259,263	$ 1,259,263
Land improvements	1,498,013	1,591,634
Buildings and improvements	31,326,339	31,538,664
Furniture and equipment	1,970,347	1,976,381
Vehicles	883,914	858,650
Total capital assets	$ 36,937,876	$ 37,224,592

The total decrease in the value of capital assets, as compared to the prior year, is due primarily to the current year's depreciation exceeding current year additions. Significant additions for the current fiscal year included roof replacements, camera security system and a school bus. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2023, the School District had $22,784,375 in bonds (including unamortized bond premium and bond accretion) with $510,000 due within one year. Table 8 summarizes the debt outstanding:

Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2023	2022
General obligation bonds	$ 22,784,375	$ 23,119,536

The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund.

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

Current Issues Affecting Financial Condition

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

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

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

Contacting the School District's Financial Management

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

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Norton City School District
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	$ 7,341,102
Receivables:	
Property taxes	11,777,968
Income taxes	834,547
Accounts	26,767
Intergovernmental	1,278,189
Inventory held for resale	24,415
Materials and supplies inventory	24,087
Net OPEB asset	2,312,637
Capital assets:	
Land	1,259,263
Depreciable capital assets	50,870,912
Accumulated depreciation	(15,192,299)
Total capital assets	36,937,876
Total assets	60,557,588
Deferred outflows of resources	
Deferred charge on refunding	737,742
Pension	5,964,649
OPEB	519,621
Total deferred outflows of resources	7,222,012
Liabilities:	
Accounts payable	330,451
Accrued wages	1,545,114
Intergovernmental payable	307,022
Matured compensated absences payable	13,894
Unearned revenue	35,163
Accrued interest payable	103,044
Long-term liabilities:	
Due within one year	642,315
Due in more than one year:	
Net pension liability	25,156,315
Net OPEB liability	1,413,774
Other amounts due in more than one year	23,571,496
Total liabilities	53,118,588
Deferred inflows of resources	
Deferred charge on refunding	160,939
Property taxes	8,784,091
Pension	2,948,781
OPEB	3,785,630
Total deferred inflows of resources	15,679,441
Net position:	
Net investment in capital assets	15,431,619
Restricted for:	
Capital projects	925,843
Debt service	939,083
Food services	735,570
STRS OPEB	325,441
Other purposes	546,069
Unrestricted (deficit)	(19,922,054)
Total net position	$ (1,018,429)

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 11,758,390	$ 429,659	$ 818,249	$ (10,510,482)
Special	4,312,506	888,221	939,180	(2,485,105)
Vocational	669,703	-	189,296	(480,407)
Adult/continuing	6,998	-	-	(6,998)
Student intervention services	61,617	-	-	(61,617)
Support services:				
Pupils	2,737,553	-	1,192,311	(1,545,242)
Instructional staff	729,853	-	137,477	(592,376)
Board of education	37,625	-	-	(37,625)
Administration	1,769,568	7,386	14,571	(1,747,611)
Fiscal	651,552	-	-	(651,552)
Business	356,580	-	2,495	(354,085)
Operation and maintenance of plant	2,439,434	7,571	67,097	(2,364,766)
Pupil transportation	1,421,124	-	3,681	(1,417,443)
Central	130,197	-	-	(130,197)
Operation of non-instructional services:				
Operation of food services	1,110,299	458,619	717,659	65,979
Community services	5,147	-	-	(5,147)
Extracurricular activities	1,012,100	324,288	3,335	(684,477)
Interest and fiscal charges	764,235	-	-	(764,235)
Total governmental activities	$ 29,974,481	$ 2,115,744	$ 4,085,351	(23,773,386)

General Revenues:	
Property taxes levied for:	
General purposes	10,533,550
Debt service	1,217,125
Capital outlay	772,987
Capital facilities maintenance	55,003
Income taxes levied for general purposes	2,111,624
Grants and entitlements not restricted to specific programs	11,579,108
Investment earnings	138,967
Miscellaneous	40,906
Total general revenues	26,449,270
Change in net position	2,675,884
Net position at beginning of year	(3,694,313)
Net position at end of year	$ (1,018,429)

See accompanying notes to the basic financial statements.

Norton City School District

Balance Sheet

Governmental Funds

June 30, 2023

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	$ 4,398,274	$ 743,940	$ 737,361	$ 1,413,435	$ 7,293,010
Receivables:					
Property taxes	9,955,154	1,040,763	782,051	-	11,777,968
Income taxes	834,547			-	834,547
Accounts	23,989	-	-	2,778	26,767
Intergovernmental	1,096,661	-	-	181,528	1,278,189
Interfund	163,054	-	-	-	163,054
Inventory held for resale	-	-	-	24,415	24,415
Materials and supplies inventory	24,087	-	-	-	24,087
Advances to other funds	50,411	-	-	-	50,411
Total assets	$ 16,546,177	$ 1,784,703	$ 1,519,412	$ 1,622,156	$ 21,472,448
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	$ 252,530	$ -	$ 20,128	$ 57,793	$ 330,451
Accrued wages	1,462,646	-	-	82,468	1,545,114
Interfund payable	-	-	-	158,054	158,054
Matured compensated absences payable	13,894	-	-	-	13,894
Intergovernmental payable	286,243	-	-	20,779	307,022
Unearned revenue	-	-	-	35,163	35,163
Advances from other funds	-	-	-	50,411	50,411
Total liabilities	2,015,313	-	20,128	404,668	2,440,109
Deferred inflows of resources					
Property taxes	7,468,074	742,576	573,441	-	8,784,091
Unavailable revenue - delinquent property taxes	464,392	55,678	38,952	-	559,022
Unavailable revenue - other	1,213,162	-	-	30,004	1,243,166
Total deferred inflows of resources	9,145,628	798,254	612,393	30,004	10,586,279
Fund balances:					
Nonspendable	74,498	-	-	-	74,498
Restricted	-	986,449	886,891	1,311,272	3,184,612
Committed	11,000	-	-	-	11,000
Assigned	4,446,677	-	-	-	4,446,677
Unassigned (deficit)	853,061	-	-	(123,788)	729,273
Total fund balances	5,385,236	986,449	886,891	1,187,484	8,446,060
Total liabilities, deferred inflows of resources and fund balances	$ 16,546,177	$ 1,784,703	$ 1,519,412	$ 1,622,156	$ 21,472,448

See accompanying notes to the basic financial statements.

Norton City School District

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total governmental funds balances		$ 8,446,060
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		36,937,876
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Property taxes	$ 559,022	
Income taxes	138,006	
Tuition and fees	940,840	
Intergovernmental	164,320	
Total		1,802,188
The net pension and net OPEB liability are not due and payable in the current period; the net OPEB asset is not a financial resource; therefore, the asset, liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	5,964,649	
Deferred inflows - pension	(2,948,781)	
Net pension liability	(25,156,315)	
Deferred outflows - OPEB	519,621	
Deferred inflows - OPEB	(3,785,630)	
Net OPEB liability	(1,413,774)	
Net OPEB asset	2,312,637	
Total		(24,507,593)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		43,092
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(103,044)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Refunding general obligation bonds	$ (20,879,923)	
Premium and accretion on bonds	(1,904,452)	
Unamortized cost of refunding - outflow	737,742	
Unamortized cost of refunding - inflow	(160,939)	
Compensated absences	(1,429,436)	
Total		(23,637,008)
Net position of governmental activities		$ (1,018,429)

See accompanying notes to the basic financial statements.

Norton City School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2023

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	$10,520,474	$ 1,215,625	$ 771,927	$ 55,003	$ 12,563,029
Income taxes	2,118,707	-	-	-	2,118,707
Intergovernmental	12,384,094	25,895	91,844	3,047,784	15,549,617
Interest	138,967	-	-	16,369	155,336
Tuition and fees	1,426,064	-	-	-	1,426,064
Extracurricular activities	95,843	-	-	264,748	360,591
Gifts and donations	17,587	-	-	26,675	44,262
Charges for services	149	-	-	458,619	458,768
Rent	7,571	-	-	-	7,571
Miscellaneous	48,172	-	-	23,085	71,257
Total revenues	26,757,628	1,241,520	863,771	3,892,283	32,755,202
Expenditures:					
Current:					
Instruction:					
Regular	10,746,060	-	190,414	480,832	11,417,306
Special	3,561,315	-	-	814,807	4,376,122
Vocational	638,831	-	-	16,505	655,336
Adult/continuing	6,998	-	-	-	6,998
Student intervention services	61,617	-	-	-	61,617
Support services:					
Pupils	2,381,487	-	-	466,461	2,847,948
Instructional staff	608,363	-	10,634	140,560	759,557
Board of education	37,625	-	-	-	37,625
Administration	1,804,143	-	-	2,349	1,806,492
Fiscal	672,399	17,955	12,618	-	702,972
Business	258,803	-	30,233	35,575	324,611
Operation and maintenance of plant	2,141,059	-	8,196	139,527	2,288,782
Pupil transportation	1,414,036	-	-	4,000	1,418,036
Central	148,122	-	-	-	148,122
Operation of non-instructional services:					
Operation of food services	-	-	-	1,122,955	1,122,955
Community services	144	-	-	5,006	5,150
Extracurricular activities	550,564	-	15,558	344,044	910,166
Capital outlay	97,296	-	767,534	136,594	1,001,424
Debt service:					
Principal retirement	-	450,000	-	-	450,000
Interest and fiscal charges	-	620,631	-	-	620,631
Total expenditures	25,128,862	1,088,586	1,035,187	3,709,215	30,961,850
Excess of revenues over (under) expenditures	1,628,766	152,934	(171,416)	183,068	1,793,352
Other financing sources (uses):					
Proceeds from sale of capital assets	2,000	-	-	-	2,000
Transfers in	-	-	-	50,000	50,000
Transfers out	(50,000)	-	-	-	(50,000)
Total other financing sources	(48,000)	-	-	50,000	2,000
Net change in fund balances	1,580,766	152,934	(171,416)	233,068	1,795,352
Fund balances at beginning of year	3,804,470	833,515	1,058,307	954,416	6,650,708
Fund balances at end of year	$ 5,385,236	$ 986,449	$ 886,891	$ 1,187,484	$ 8,446,060

See accompanying notes to the basic financial statements.

Norton City School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2023

Net change in fund balances - total governmental funds		$ 1,795,352
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as deprecation expense. In the current period, these amounts are:		
Capital asset additions	$ 1,001,424	
Depreciation expense	(1,285,114)	
Excess of capital asset additions and contributions over depreciation expense		(283,690)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(3,026)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	$ 15,636	
Income taxes	(7,083)	
Tuition and fees	(167,721)	
Intergovernmental	54,331	
Net change in deferred inflows of resources during the year		(104,837)
Contractually required contributions are reported as expenditures in the governmental funds however, the statement of activities reports these amounts as deferred outflows.		
Pension		(1,992,148)
OPEB		623,552
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB asset/liability are reported as pension and OPEB expense in the statement of activities.		
Pension		2,340,098
OPEB		75,103
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.		450,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	(115,251)	
Decrease in accrued interest	788	
Amortization of:		
Premium	69,222	
Deferred cost of refunding - outflow	(40,535)	
Deferred cost of refunding - inflow	10,982	
Bond accretion	(184,061)	
Total reduced expenditures		(258,855)
The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		34,335
Change in net position of governmental activities		$ 2,675,884

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	$ 9,151,574	$ 9,184,790	$ 9,184,790	$ -
Income taxes	1,786,465	2,061,017	2,061,017	-
Intergovernmental	13,717,536	12,481,477	12,481,477	-
Interest	2,115	115,800	115,800	-
Tuition and fees	1,488,049	1,317,973	1,317,973	-
Rent	5,515	5,193	5,193	-
Extracurricular activities	61,609	59,035	59,035	-
Gifts and donations	500	120	120	-
Charges for services	170	149	149	-
Miscellaneous	14,140	32,935	32,935	-
Total revenues	26,227,673	25,258,489	25,258,489	-
Expenditures:				
Current:				
Instruction:				
Regular	15,797,202	15,074,788	10,833,262	4,241,526
Special	3,606,090	3,520,759	3,520,759	-
Vocational	660,641	656,751	656,751	-
Adult/continuing	7,468	9,274	9,274	-
Student intervention services	81,480	61,617	61,617	-
Support services:				
Pupils	2,511,883	2,364,358	2,364,358	-
Instructional staff	509,347	599,522	599,522	-
Board of education	42,984	37,754	37,754	-
Administration	1,884,702	1,867,094	1,869,021	(1,927)
Fiscal	659,083	673,449	673,449	-
Business	275,994	260,391	260,391	-
Operation and maintenance of plant	2,252,520	2,229,824	2,229,824	-
Pupil transportation	1,510,839	1,477,452	1,477,452	-
Central	148,518	144,156	144,156	-
Operation of non-instructional services	-	144	144	-
Extracurricular activities	513,816	554,433	554,433	-
Total expenditures	30,462,567	29,531,766	25,292,167	4,239,599
Excess of revenues under expenditures	(4,234,894)	(4,273,277)	(33,678)	4,239,599
Other financing sources (uses):				
Proceeds from the sale of capital assets	2,473	10,142	10,142	-
Refund of prior year expenditures	20,871	11,684	11,684	-
Insurance recoveries	575	289	289	-
Advances in	-	75,000	75,000	-
Advances out	-	(60,000)	(60,000)	-
Transfers out	(85,100)	(59,913)	(59,913)	-
Total other financing sources (uses)	(61,181)	(22,798)	(22,798)	-
Net change in fund balance	(4,296,075)	(4,296,075)	(56,476)	4,239,599
Fund balances at beginning of year	4,038,813	4,038,813	4,038,813	-
Prior year encumbrances appropriated	257,343	257,343	257,343	-
Fund balances at end of year	$ 81	$ 81	$ 4,239,680	$ 4,239,599

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2023

	Self Insurance
Assets:	
Current:	
Equity in pooled cash and cash equivalents	$ 48,092
Liabilities:	
Current:	
Interfund payable	5,000
Net position:	
Unrestricted	43,092
Total liabilities and net position	$ 48,092

See accompanying notes to the basic financial statements.

Norton City School District

Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Fund

For the Fiscal Year Ended June 30, 2023

	Self Insurance
Operating revenues:	
Charges for services	$ 4,065,631
Operating expenses:	
Purchased services	4,031,296
Change in net position	34,335
Net position at beginning of year	8,757
Net position at end of year	$ 43,092

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2023

	Self Insurance
Cash flows from operating activities:	
Cash received for charges for services	$ 4,065,631
Cash payments to suppliers for goods and services	(4,031,296)
Net cash used for operating activities	34,335
Cash flows from noncapital financing activities:	
Advances in	20,000
Advances out	(75,000)
Net cash used for noncapital financing activities	(55,000)
Net increase in cash and cash equivalents	(20,665)
Cash and cash equivalents at beginning of year	68,757
Cash and cash equivalents at end of year	$ 48,092
Reconciliation of operating loss to net cash used for operating activities:	
Operating income	$ 34,335
Net cash used for operating activities	$ 34,335

See accompanying notes to the basic financial statements.

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

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 129 classified employees and 176 certificated teaching and support personnel, including 18 administrators that provide services to 2,163 students and other community members.

Reporting Entity

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

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

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

The School District is associated with the Metropolitan Regional Service Council (MRSC) also known as Northeast Ohio Network for Educational Technology (NEOnet), Ohio Schools Council and the Four Cities Educational Compact, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 13.

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

A. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling-up" revenues and expenses. However, the services provided and used are not eliminated in the process of consolidation.

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

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

B. Fund Accounting

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

Governmental Fund Types:

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

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

Bond Retirement Fund: The bond retirement fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

Proprietary Fund Type

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Revenue - Exchange and Nonexchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Expenditures/Expenses

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

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

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

D. Budgets and Budgetary Accounting

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2023. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

E. Cash and Investments

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

The School District’s investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2023, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice is appreciated 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

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

F. Interfund balances

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

G. Inventory

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

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

H. Bond Premiums

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

I. Deferred Charge on Refunding

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

J. Capital Assets

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

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

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

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

K. Pension and other postemployment benefits (OPEB)

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

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

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

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

L. Compensated Absences

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

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

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

M. Net Position

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

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

N. Accrued Liabilities and Long-term Obligations

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

O. Fund Balances

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

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

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

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

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

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

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

P. Operating Revenues and Expenses

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

Q. Interfund Transactions

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

R. Estimates

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

NOTE 2 – FUND BALANCES

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

Fund Balances	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Materials and supplies inventory	$ 24,087	$ -	$ -	$ -	$ 24,087
Advances to other funds	50,411	-	-	-	50,411
Total nonspendable	74,498	-	-	-	74,498
Restricted for					
Food service	-	-	-	766,464	766,464
Various student activity	-	-	-	129,781	129,781
Data communications	-	-	-	184	184
Classroom facilities maintenance	-	-	-	79,952	79,952
Scholarships	-	-	-	45,631	45,631
Instructional programs	-	-	-	289,260	289,260
Capital improvements	-	-	886,891	-	886,891
Debt service payments	-	986,449	-	-	986,449
Total restricted	-	986,449	886,891	1,311,272	3,184,612
Committed					
Underground storage tanks	11,000	-	-	-	11,000
Assigned for					
Public school support	63,563	-	-	-	63,563
Encumbrance	141,506	-	-	-	141,506
Next years budget	4,241,608	-	-	-	4,241,608
Total assigned	4,446,677	-	-	-	4,446,677
Unassigned (deficit)	853,061	-	-	(123,788)	729,273
Total fund balances	$ 5,385,236	$ 986,449	$ 886,891	$ 1,187,484	$ 8,446,060

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).

5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance

	General
GAAP basis	$ 1,580,766
Net adjustment for revenue accruals	(1,311,414)
Advances in	75,000
Net adjustment for expenditure accruals	(288,227)
Advances out	(60,000)
Encumbrances (Budget basis) outstanding at year-end	(162,284)
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(167,610)
Transfers to general fund	(9,913)
Expenditures	287,206
Budget basis	$ (56,476)

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

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

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

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

8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

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

A. Deposits:

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. As of June 30, $874,700 of the School District's bank balance of $2,615,476 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

B. Investments:

As of June 30, 2023, the School District had the following investment and maturity:

Investment type	Fair Value	Percentage of Portfolio	Maturity	Standard and Poor's Rating
STAR Ohio	$5,445,624	100.00%	38.5 [1]	AAAm

[1] Days (Average)

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above tables identify the School District's recurring fair value measurement as of June 30, 2023. As previously discussed, Star Ohio is reported at its net asset value.

All interest is legally required to be placed in the general fund, the food service special revenue fund and the scholarships private purpose trust fund. Interest revenue credited to the general fund during fiscal year 2023 amount to $138,967, which includes $38,685 assigned from other School District funds.

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

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

NOTE 5 - PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utilities) located in the School District. Real property tax revenue received in calendar 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, 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 semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien December 31, 2021, were levied after April 1, 2022 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2023 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at year-end was $2,022,688 in the general fund, $242,509 in the bond retirement debt service fund and $169,658 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2023 taxes were collected are:

Property Category	2022 Assessed Value	2021 Assessed Value
Real Property		
Residential and agricultural	$ 300,330,240	$ 296,548,900
Commercial , industrial and mineral	45,058,620	46,082,930
Public utilities	50,810	49,430
Tangible Personal Property		
Public utilities	27,093,790	26,680,210
Total	$ 372,533,460	$ 369,361,470

NOTE 6 – INCOME TAX

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

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, interfund, accrued interest, accounts, intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The general fund and the other governmental funds reported intergovernmental receivables in the amounts of $1,096,661 and $181,528, respectively.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

Governmental Activities	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	$ 1,259,263	$ -	$ -	$ 1,259,263
Total capital assets, not being depreciated	1,259,263	-	-	1,259,263
Capital assets, being depreciated:				
Land improvements	3,147,663	14,364	(77,135)	3,084,892
Buildings and improvements	40,619,201	543,139	(31,455)	41,130,885
Furniture and equipment	4,148,429	244,840	(108,878)	4,284,391
Vehicles	2,228,023	199,081	(56,360)	2,370,744
Total capital assets, being depreciated	50,143,316	1,001,424	(273,828)	50,870,912
Less: Accumulated depreciation				
Land improvements	(1,556,029)	(107,985)	77,135	(1,586,879)
Buildings and improvements	(9,080,537)	(755,464)	31,455	(9,804,546)
Furniture and equipment	(2,172,048)	(247,848)	105,852	(2,314,044)
Vehicles	(1,369,373)	(173,817)	56,360	(1,486,830)
Total accumulated depreciation	(14,177,987)	(1,285,114)	270,802	(15,192,299)
Total capital assets being depreciated, net	35,965,329	(283,690)	(3,026)	35,678,613
Governmental activities capital assets, net	$ 37,224,592	$ (283,690)	$ (3,026)	$ 36,937,876

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 473,064
Special	13,569
Vocational	31,580
Support services:	
Pupils	1,001
Instructional staff	8,037
Administration	39,215
Fiscal	151
Business	32,417
Operation and maintenance of plant	323,213
Pupil transportation	158,252
Operation of food services	42,423
Extracurricular activities	162,192
Total depreciation expense	$ 1,285,114

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund balances result from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. In a prior year, the general fund advanced money to two nonmajor special revenue funds and these advances are considered long-term. During the current fiscal year, the general fund advanced money to the internal service fund and four nonmajor funds to cover deficit cash balances. The advances were to the special revenue funds awaiting reimbursements from state and federal grants. All of these interfund balances are expected to be repaid when anticipated revenue is received.

	Interfund Receivable	Interfund Payable	Advances to other funds	Advances from other funds
General fund	$ 163,054	$ -	$ 50,411	$ -
Nonmajor governmental funds	-	158,054	-	50,411
Internal service fund	-	5,000	-	-
	$ 163,054	$ 163,054	$ 50,411	$ 50,411

Interfund transfers for the year ended June 30, 2023, consisted of the following:

Transfers from general fund to:	
Nonmajor governmental funds	$ 50,000

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

NOTE 10 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Health Insurance

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

A. DEFINED BENEFIT PENSION PLANS

School Employee Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2022, the Board of Trustees approved a 2.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

Funding Policy - Plan members are required to contribute 10.00 percent of their annual covered salary and the District is required to contribute 14.00 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 10.00 percent for plan members and 14.00 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, 2023, the allocation to pension, death benefits, and Medicare B was 14.00 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was $565,773 for fiscal year 2023. Of this amount $29,936 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes 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 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 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 of their member contributions and 9.53 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 Ohio. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions 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 after termination of employment 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 retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension

The School District’s contractually required contribution to STRS was $1,774,325 for fiscal year 2022. Of this amount $179,582 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability - prior measurement date	0.097722900%	0.091864623%	
Proportion of the net pension liability - current measurement date	0.098020300%	0.089314000%	
Change in proportionate share	0.000297400%	-0.002550623%	
Proportionate share of the net pension liability	$ 5,301,700	$ 19,854,615	$ 25,156,315
Pension expense	$ 143,254	$ 1,848,894	$ 1,992,148

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 214,723	$ 254,165	$ 468,888
Changes of assumptions	52,313	2,376,001	2,428,314
Net difference between projected and actual earnings on pension plan investments	-	690,897	690,897
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	11,063	25,389	36,452
School District contributions subsequent to the measurement date	565,773	1,774,325	2,340,098
Total deferred outflows of resources	$ 843,872	$ 5,120,777	$ 5,964,649
Deferred inflows of resources			
Differences between expected and actual experience	$ 34,804	$ 75,950	$ 110,754
Changes of assumptions	-	1,788,446	1,788,446
Net difference between projected and actual earnings on pension plan investments	185,005	-	185,005
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	71,472	793,104	864,576
Total deferred inflows of resources	$ 291,281	$ 2,657,500	$ 2,948,781

$2,340,098 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	SERS	STRS	Total
2024	$ (43,933)	$ (286,332)	$ (330,265)
2025	(12,414)	(274,177)	(286,591)
2026	(264,284)	(764,120)	(1,028,404)
2027	307,449	2,013,581	2,321,030
Total	$ (13,182)	$ 688,952	$ 675,770

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. Future benefits for all current plan members were projected through 2137.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Wage inflation:	
Current measurement date	2.4 percent
Prior measurement date	2.4 percent
Future salary increases, including inflation:	
Current measurement date	3.25 percent to 13.58 percent
Prior measurement date	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA:	
Current measurement date	2.0 percent
Prior measurement date	2.0 percent
Investment rate of return:	
Current measurement date	7.0 percent net of system expense
Prior measurement date	7.0 percent net of system expense
Discount rate:	
Current measurement date	7.0 percent
Prior measurement date	7.0 percent
Actuarial cost method	Entry age normal

In 2022, 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 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, 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 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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.

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US equity	24.75	5.37
International equity developed	13.50	6.22
International equity emerging	6.75	8.22
Fixed income/Global bonds	19.00	1.20
Private equity	11.00	10.05
Real estate/Real assets	16.00	4.87
Multi-asset strategies	4.00	3.39
Private debt/Private credit	3.00	5.38
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.0 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	$ 7,803,850	$5,301,700	$3,193,673

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.5 percent	2.5 percent
Projected salary increases	Varies be service from 2.5 percent to 8.5 percent	12.5 percent at age 20 to 2.5 percent at age 65
Investment rate of return	7.0 percent, net of investment expenses, including inflation	7.0 percent, net of investment expenses, including inflation
Discount rate of return	7.0 percent	7.0 percent
Payroll increases	3.0 percent	3.0 percent
Cost-of-Living Adjustment (COLA)	0.0 percent	0.0 percent

For the June 30, 2022 actuarial valuation, 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. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience s 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 allocation *	Long term expected real 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	1.00	1.00
Total	100.00 %	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**Over a 30 year period, STRS's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. 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, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

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:

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	$ 29,993,095	$19,854,615	$11,280,599

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 1.00 percent cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknow what effect this change will have on the net pension liability.

B. DEFINED BENEFITS OPEB PLANS

School Employees Retirement System

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

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

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 2023, 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 2023, this amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School District's surcharge obligation was $75,103.

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 $75,103 for fiscal year 2023. Of this amount $75,103 is reported as a pension obligation payable.

State Teachers Retirement System

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability or asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability or asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability or asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the net OPEB liability - prior measurement date	0.10068760%	0.09186462%	
Proportion of the net OPEB liability - current measurement date	0.10069540%	0.08931400%	
Change in proportionate share	0.00000780%	-0.00255062%	
Proportionate share of the net OPEB liability (asset)	$ 1,413,774	$ (2,312,637)	$ (898,863)
OPEB expense	$ (199,355)	$ (424,197)	$ (623,552)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 11,885	$ 33,525	$ 45,410
Changes of assumptions	224,879	98,511	323,390
Net difference between projected and actual earnings on pension plan investments	7,348	40,257	47,605
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	25,283	2,830	28,113
School District contributions subsequent to the measurement date	75,103	-	75,103
Total deferred outflows of resources	$ 344,498	$ 175,123	$ 519,621
Deferred inflows of resources			
Differences between expected and actual experience	$ 904,354	$ 347,314	$ 1,251,668
Changes of assumptions	580,364	1,639,882	2,220,246
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	295,098	18,618	313,716
Total deferred inflows of resources	$ 1,779,816	$ 2,005,814	$ 3,785,630

$75,103 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	SERS	STRS	Total
2024	$ (366,379)	$ (537,869)	$ (904,248)
2025	(370,054)	(530,336)	(900,390)
2026	(303,741)	(251,181)	(554,922)
2027	(183,846)	(103,092)	(286,938)
2028	(120,680)	(135,050)	(255,730)
Thereafter	(165,752)	(273,163)	(438,915)
Total	$ (1,510,452)	$ (1,830,691)	$ (3,341,143)

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, 2022, are presented below:

Wage inflation:	
Current measurement date	2.40 percent
Prior measurement date	2.40 percent
Future salary increases, including inflation:	
Current measurement date	3.25 percent to 13.58 percent
Prior measurement date	3.25 percent to 13.58 percent
Investment rate of return:	
Current measurement date	7.00 percent net of system expense, including inflation
Prior measurement date	7.00 percent net of system expense expense, including inflation
Municipal Bond Index Rate:	
Current measurement date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Current measurement date	4.08 percent
Prior Measurement Date	2.27 percent
Medical Trend Assumption:	
Current measurement date	7.00 to 4.40 percent
Prior measurement date	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent

In 2022, 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 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates 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. 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 expected rate of return on plan assets is reviewed as part of the actuarial 5-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 e inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11 A.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present counting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08 percent) and higher (5.08 percent) than the current discount rate (4.08 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that point lower (6.00 percent decreasing to 3.40 percent) and higher (8.00 percent decreasing to 5.40 percent) than the current rate (7.00 percent decreasing to 4.40 percent).

		1% Decrease	Current discount rate	1% Increase
School District's proportionate share of the net OPEB liability	$	1,755,929	$1,413,774	$1,137,562

		1% Decrease	Current trend rate	1% Increase
School District's proportionate share of the net OPEB liability	$	1,090,264	$1,413,774	$1,836,318

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

	June 30, 2022		June 30, 2021	
Inflation	2.50 percent		2.50 percent	
Projected salary increases	Varies be service from 2.50 percent to 8.50 percent		12.50 percent at age 20 to 2.50 percent at age 65	
Investment rate of return	7.00 percent, net of investment expenses, including inflation		7.00 percent, net of investment expenses, including inflation	
Discount rate of return	7.00 percent		7.00 percent	
Payroll increases	3.00 percent		3.00 percent	
Cost-of-Living Adjustment (COLA)	0.00 percent		0.00 percent	
Blended discount rate of return	n/a		n/a	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50 percent	3.94 percent	7.50 percent	4.00 percent
Medicare	-68.78 percent	3.94 percent	-16.18 percent	4.00 percent
Prescription Drug				
Pre-Medicare	9.00 percent	3.94 percent	6.50 percent	4.00 percent
Medicare	-5.47 percent	3.94 percent	29.98 percent	4.00 percent

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

For the June 30, 2022 actuarial valuation, for healthy retirees the 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.

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

Actuarial assumptions used in the June 30, 2022 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.

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00 percent for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11 A.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund 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, 2022.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2022, 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.

	1% Decrease	Current discount rate	1% Increase
School District's proportionate share of the net OPEB asset	$ (2,137,972)	($2,312,637)	($2,462,252)

	1% Decrease	Current trend rate	1% Increase
School District's proportionate share of the net OPEB asset	$ (2,398,767)	($2,312,637)	($2,203,919)

NOTE 12 - LONG-TERM OBLIGATIONS

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

	Balance July 1	Additions	Reductions	Balance June 30	Due within one year
Governmental activities					
General obligation bonds					
2020 School Improvement Refunding, 1 - 3%					
Serial and term bonds	$ 13,965,000	$ -	$ (405,000)	$ 13,560,000	$ 115,000
Premium	250,394	-	(15,995)	234,399	-
2016 School Improvement Refunding, 1 - 4%					
Serial and term bonds	7,165,000	-	(45,000)	7,120,000	-
Capital appreciation bonds	199,923	-	-	199,923	78,167
Accretion on bonds	517,254	184,061	-	701,315	316,833
Premium	1,021,965	-	(53,227)	968,738	-
Total bonds	23,119,536	184,061	(519,222)	22,784,375	510,000
Other obligations					
Compensated absences	1,314,185	286,196	(170,945)	1,429,436	132,315
Net pension liability					
STRS	11,745,718	8,108,897	-	19,854,615	-
SERS	3,605,692	1,696,008	-	5,301,700	-
Total net pension liability	15,351,410	9,804,905	-	25,156,315	-
Net OPEB liability					
SERS	1,905,595	-	(491,821)	1,413,774	-
Total net OPEB liability	1,905,595	-	(491,821)	1,413,774	-
Governmental activities Total long-term liabilities	$ 41,690,726	$ 10,275,162	$ (1,181,988)	$ 50,783,900	$ 642,315

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

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

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

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

Principal and interest requirements to amortize all bonds outstanding at June 30, 2023 are as follows:

	School Improvement Bonds			
Fiscal		Compounded		
Year	Principal	Interest	Interest	Total
2024	$ 193,167	$ 316,833	$ 617,694	$ 1,127,694
2025	183,499	366,501	616,544	1,166,544
2026	173,257	371,743	615,369	1,160,369
2027	545,000	-	604,444	1,149,444
2028	590,000	-	582,894	1,172,894
2029-2033	3,035,000	-	2,625,844	5,660,844
2034-2038	3,790,000	-	2,094,644	5,884,644
2039-2043	4,400,000	-	1,527,928	5,927,928
2044-2048	5,430,000	-	835,363	6,265,363
2049-2050	2,540,000	-	74,400	2,614,400
Total	$ 20,879,923	$ 1,055,077	$ 10,195,124	$ 32,130,124

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

The Metropolitan Regional Service Council (MRSC) is the computer service organization or Information Technology Center (ITC) used by the School District. MRSC is also known as Northeast Ohio Network for Educational Technology (NEOnet), which is the name used exclusively prior to their reorganization from a consortium to a council of governments. The superintendent from each member entity is appointed to the legislative body of MRSC known as the assembly. The assembly elects a board of directors consisting of nine members. These members comprise the managerial body of the council and meet at least five times yearly. The operations of MRSC are under the control of the board of directors and the executive director. The purpose of the MRSC is to develop and employ a computer system efficiently and effectively for the needs of the member school districts. All members are required to pay fees, charges and assessments as charged. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to MRSC are made from various funds. During fiscal year 2023, the School District contributed $201,237 to MRSC. Financial information can be obtained by contacting the fiscal agent at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

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

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

The Ohio Schools Council Association (Council) is a jointly governed organization among school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2023, the School District paid $1,297 to the Council in the form of program membership fees and $53,547 for natural gas purchases. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

NOTE 14 – FUND DEFICITS

As of June 30, 2023, several nonmajor special revenue funds had deficit fund balances. This deficit was caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had a deficit at year-end:

Fund	Deficit
District managed student activities	$ 17,934
ESSER	64,393
IDEA Grant	29,947
Title IV-A	601
Title I	2,946
Title II-A	7,967

NOTE 15 - CONTINGENT LIABILITIES

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2023, if applicable, cannot be determined at this time. In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2023.

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The ODE's final FTE adjustments did not have a material impact on the School District's financial statements.

NOTE 16 - SET-ASIDES

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

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

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

	Capital Maintenance Reserve
Set-aside reserve balance as of June 30, 2022	$ -
Current year set-aside requirement	467,538
Current year offsets	(806,796)
Total	$ (339,258)
Set-aside balance carried forward to future fiscal years	$ -

NOTE 17 – TAX ABATEMENTS

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

The total value of the School District's share of taxes abated within the CRA areas for fiscal year 2023 were at $401,876.

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Required Supplementary Information

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

School Employees Retirement System (SERS) of Ohio	2023	2022	2021	2020
School District's proportion of the net pension liability	0.098020%	0.097723%	0.102799%	0.103667%
School District's proportionate share of the net pension liability	$ 5,301,700	$ 3,605,692	$ 6,799,316	$ 6,202,566
School District's covered payroll	$ 3,661,686	$ 3,373,143	$ 3,471,343	$ 3,440,489
School District's proportionate share of the net pension liability as a percentage of its covered payroll	144.79%	106.89%	195.87%	180.28%
Plan fiduciary net position as a percentage of total pension liability	75.82%	82.86%	68.55%	70.85%

State Teachers Retirement System (STRS) of Ohio	2023	2022	2021	2020
School District's proportion of the net pension liability	0.0893140%	0.0918646%	0.0940213%	0.0937119%
School District's proportionate share of the net pension liability	$ 19,854,615	$ 11,745,718	$ 22,749,816	$ 20,723,824
School District's covered payroll	$ 11,611,243	$ 11,335,493	$ 11,322,200	$ 10,964,921
School District's proportionate share of the net pension liability as a percentage of its covered payroll	170.99%	103.62%	200.93%	189.00%
Plan fiduciary net position as a percentage of total pension liability	78.88%	87.80%	75.50%	77.40%

See accompanying notes to required supplementary information.

2019	2018	2017	2016	2015	2014
0.119985%	0.117930%	0.119634%	0.115377%	0.114086%	0.114086%
$ 6,871,775	$ 7,046,051	$ 8,756,083	$ 6,583,495	$ 5,773,828	$ 6,784,328
$ 3,445,733	$ 4,223,900	$ 3,673,100	$ 3,437,314	$ 3,276,089	$ 3,213,316
199.43%	166.81%	238.38%	191.53%	176.24%	211.13%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

2019	2018	2017	2016	2015	2014
0.0971018%	0.0977714%	0.0977003%	0.0974650%	0.0967810%	0.0967810%
$ 21,350,514	$ 23,225,813	$ 32,703,232	$ 26,936,464	$ 23,540,486	$ 28,041,273
$ 11,057,786	$ 10,924,521	$ 10,505,957	$ 10,253,586	$ 10,020,169	$ 9,777,115
193.08%	212.60%	311.28%	262.70%	234.93%	286.81%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

Norton City School District

Required Supplementary Information

Schedule of School District Contributions - Pension

Last Ten Fiscal Years

	2023	2022	2021	2020	2019
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution	$ 565,773	$ 512,636	$ 472,240	$ 485,988	$ 464,466
Contributions in relation to contractually required contribution	(565,773)	(512,636)	(472,240)	(485,988)	(464,466)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered payroll	$ 4,041,236	$ 3,661,686	$ 3,373,143	$ 3,471,343	$ 3,440,489
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.50%

	2023	2022	2021	2020	2019
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	$ 1,774,325	$ 1,625,574	$ 1,586,969	$ 1,585,108	$ 1,535,089
Contributions in relation to contractually required contribution	(1,774,325)	(1,625,574)	(1,586,969)	(1,585,108)	(1,535,089)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered payroll	$ 12,673,750	$ 11,611,243	$ 11,335,493	$ 11,322,200	$ 10,964,921
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to required supplementary information.

2018	2017	2016	2015	2014
$ 465,174	$ 591,346	$ 514,234	$ 453,038	$ 454,066
(465,174)	(591,346)	(514,234)	(453,038)	(454,066)
$ -	$ -	$ -	$ -	$ -
$ 3,445,733	$ 4,223,900	$ 3,673,100	$ 3,437,314	$ 3,276,089
13.50%	14.00%	14.00%	13.18%	13.86%

2018	2017	2016	2015	2014
$ 1,548,090	$ 1,529,433	$ 1,470,834	$ 1,435,502	$ 1,302,622
(1,548,090)	(1,529,433)	(1,470,834)	(1,435,502)	(1,302,622)
$ -	$ -	$ -	$ -	$ -
$ 11,057,786	$ 10,924,521	$ 10,505,957	$ 10,253,586	$ 10,020,169
14.00%	14.00%	14.00%	14.00%	13.00%

Norton City School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)

Last Seven Fiscal Years (1)

	2023	2022	2021	2020
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net OPEB liability	0.100695%	0.100688%	0.106579%	0.105916%
School District's proportionate share of the net OPEB liability	$ 1,413,774	$ 1,905,595	$ 2,316,300	$ 2,663,562
School District's covered payroll	$ 3,661,686	$ 3,373,143	$ 3,471,343	$ 3,440,489
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	38.61%	56.49%	66.73%	77.42%
Plan fiduciary net position as a percentage of total OPEB liability	30.34%	24.08%	18.17%	15.57%

	2023	2022	2021	2020
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net OPEB liability or asset	0.089314%	0.091865%	0.094022%	0.093712%
School District's proportionate share of the net OPEB liability (asset)	$ (2,312,637)	$ (1,936,890)	$ (1,652,423)	$ (1,552,094)
School District's covered payroll	$ 11,611,243	$ 11,335,493	$ 11,322,200	$ 10,964,921
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(19.92%)	(17.09%)	(14.59%)	(14.16%)
Plan fiduciary net position as a percentage of total OPEB liability or asset	230.73%	174.70%	182.10%	174.70%

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

2019	2018	2017
0.121344%	0.119114%	0.120761%
$ 3,366,421	$ 3,196,712	$ 3,442,130
$ 3,445,733	$ 4,223,900	$ 3,673,100
97.70%	75.68%	93.71%
13.57%	12.46%	11.49%

2019	2018	2017
0.097102%	0.097771%	0.097700%
$ (1,560,328)	$ 3,814,680	$ 5,225,037
$ 11,057,786	$ 10,924,521	$ 10,505,957
(14.11%)	34.92%	49.73%
176.00%	47.10%	37.30%

Norton City School District

Required Supplementary Information

Schedule of School District Contributions - OPEB

Last Ten Fiscal Years

School Employees Retirement System (SERS) of Ohio	2023	2022	2021	2020	2019
Contractually required contribution (1)	$ 75,103	$ 68,157	$ 65,291	$ 68,017	$ 80,340
Contributions in relation to contractually required contribution	(75,103)	(68,157)	(65,291)	(68,017)	(80,340)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered payroll	$ 4,041,236	$ 3,661,686	$ 3,373,143	$ 3,471,343	$ 3,440,489
Contributions as a percentage of covered payroll	1.86%	1.86%	1.94%	1.96%	2.34%

State Teachers Retirement System (STRS) of Ohio	2023	2022	2021	2020	2019
Contractually required contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered payroll	$ 12,673,750	$ 11,611,243	$ 11,335,493	$ 11,322,200	$ 10,964,921
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

2018	2017	2016	2015	2014
$ 81,094	$ 62,342	$ 59,068	$ 85,715	$ 59,503
(81,094)	(62,342)	(59,068)	(85,715)	(59,503)
$ -	$ -	$ -	$ -	$ -
$ 3,445,733	$ 4,223,900	$ 3,673,100	$ 3,437,314	$ 3,276,089
2.35%	1.48%	1.61%	2.49%	1.82%

2018	2017	2016	2015	2014
$ -	$ -	$ -	$ -	$ 100,202
-	-	-	-	(100,202)
$ -	$ -	$ -	$ -	$ -
$ 11,057,786	$ 10,924,521	$ 10,505,957	$ 10,253,586	$ 10,020,169
0.00%	0.00%	0.00%	0.00%	1.00%

Net Pension Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Net OPEB Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023
(Prepared by Management)

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Ohio Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	$ 72,634
Cash Assistance:			
National School Breakfast Program	10.553	3L70	99,241
National School Lunch Program	10.555	3L60	841,907
National School Lunch Program - Supply Chain Assistance	10.555	3L60	42,354
Total Nutrition Cluster			1,056,136
COVID 19 - PEBT	10.649	3L60	1,242
Total U.S. Department of Agriculture			1,057,378
U.S. DEPARTMENT OF EDUCATION			
Passed Through the Ohio Department of Education:			
Special Education Cluster:			
IDEA Part B - FY23	84.027	3M20	495,445
ARP IDEA Part B - Special Education FY23	84.027	3M20	21,390
Special Education - Preschool Program	84.173	3C50	10,374
Total Special Education Cluster			527,209
Title I Grants to Local Education Agencies - FY22	84.010	3M00	1,323
Title I Grants to Local Education Agencies - FY23	84.010	3M00	249,975
Total Title I			251,298
Title II - A Supporting Effective Instruction State Grants - FY22	84.367	3Y60	2,553
Title II - A Supporting Effective Instruction State Grants - FY23	84.367	3Y60	58,570
Total Title II			61,123
Title IV - A Student Support and Academy Enrichment - FY22	84.424	3H10	8,315
Title IV - A Student Support and Academy Enrichment - FY23	84.424	3H10	30,010
Total Title IV			38,325
ESSER I - FY22	84.425	3HS0	64,000
ESSER I - FY23	84.425	3HS0	396,032
ESSER - ARP - FY22	84.425	3HS0	224,955
ESSER - ARP - FY23	84.425	3HS0	262,613
Total ESSER			947,600
Total U.S. Department of Education			1,825,555
U.S. DEPARTMENT OF TREASURY			
Passed Through the Ohio Department of Education:			
Coronavirus State and Local Fiscal Recovery - Safety Grant - OFCC	21.027	N/A	161,630
Total U.S. Department of Treasury			161,630
Total Expenditures of Federal Awards			**$ 3,044,563**

The accompanying notes are an integral part of this schedule.

Norton City School District
Summit County
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended June 30, 2023
(Prepared by Management)

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Norton City School District, Summit County, (the District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The District transferred the following amounts from 2023 to 2024 programs:

Program Title	AL Number	Amount Transferred
ARP ESSER	84.425	$ 1,043,653

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Parma, OH 44129-2550
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Certified Public Accountants Fax - (216) 436-2411

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANE WITH *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited, in accordance with 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norton City School District, Summit County, Ohio (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 28, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

However, we noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 28, 2023.

Purpose of this Report

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

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
December 28, 2023

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Norton City School District, Summit County, Ohio's (the 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 District's major federal program for the year ended June 30, 2023. The 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 District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
December 28, 2023

Norton City School District
Summit County
Schedule of Findings
2 CFR § 200.515
June 30, 2023

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	ESSER – Education Stabilization Fund – ALN # 84.425
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE
KEITH FABER

NORTON CITY SCHOOL DISTRICT

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 3/21/2024

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