



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
JUNE 30, 2022**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Northwood Local School District  
Wood County  
700 Lemoyne Road  
Northwood, Ohio 43619-1812

To the Board of Education:

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

#### ***Opinions***

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in cash-basis financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the cash-basis of accounting described in Note 2.

#### ***Basis for Opinions***

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

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

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

***Emphasis of Matter***

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Supplementary Information***

Our audit was conducted to opine on the financial statements as a whole that collectively comprise the District's basic financial statements.

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

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

***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

June 22, 2023



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)**

The Management's Discussion and Analysis of the Northwood Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2022 are as follows:

- The total net cash position of the District decreased \$192,042 or 1.83% from fiscal year 2021.
- General cash receipts accounted for \$12,740,851, or 78.08% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and grants, contributions, and interest accounted for \$3,577,375 or 21.92% of total governmental activities cash receipts of \$16,318,226.
- The District had \$16,510,268 in cash disbursements related to governmental activities; \$3,577,375 of these cash disbursements were offset by program specific charges for services, grants, contributions, and interest. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,740,851 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, permanent improvement fund, and building fund. The general fund had \$13,221,775 in cash receipts and other financing sources and \$12,379,663 in cash disbursements and other financing uses. During fiscal year 2022 the general fund cash balance increased \$842,112 from \$5,785,314 to \$6,627,426.
- The permanent improvement fund had \$560,286 in cash receipts and \$1,322,341 in cash disbursements. During fiscal year 2022, the permanent improvement fund cash balance decreased \$762,055 from \$1,791,170 to \$1,029,115.
- The building fund had \$226 in cash disbursements and a fund balance of \$1,040,344 at fiscal year-end.

**Using the Cash Basis Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, permanent improvement fund, and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during fiscal year 2022?" These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)**

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and the statement of activities - cash basis, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

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

***Fund Financial Statements***

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, permanent improvement fund, and building fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs.

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances.

***Reporting the District's Fiduciary Responsibilities***

The District's only fiduciary fund type is custodial, which is used to account for scholarships in which recipients are selected by individuals or other organizations. The District acts as an agent for the individuals or other organizations.

All of the District's fiduciary activities are reported in separate statements of fiduciary net position - cash basis and changes in fiduciary net position - cash basis. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**The District as a Whole**

Recall that the statement of net position - cash basis provides the perspective of the District as a whole.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)

The following table provides a summary of the District's net cash position at June 30, 2022 and June 30, 2021.

|  | <b>Net Cash Position</b>                  |   |
|--|---|---|
|  | Governmental<br>Activities<br><u>2022</u> | Governmental<br>Activities<br><u>2021</u> |
| <b><u>Assets</u></b>                                       |   |   |
| Equity in pooled cash, cash equivalents<br>and investments | \$ 10,278,365                             | \$ 10,470,407                             |
| <b><u>Net cash position</u></b>                            |   |   |
| Restricted   | \$ 3,817,620                              | \$ 4,685,438                              |
| Unrestricted   | <u>6,460,745</u>                          | <u>5,784,969</u>                          |
| Total net cash position                                    | <u>\$ 10,278,365</u>                      | <u>\$ 10,470,407</u>                      |

At June 30, 2022, the District's net cash position was \$10,278,365. A portion of this amount, \$3,817,620 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$6,460,745 may be used to meet the District's ongoing obligations to the students and creditors.

The following table shows the change in net cash position for fiscal years 2022 and 2021.

|   | <b>Change in Net Cash Position</b>        |   |
|---|---|---|
|   | Governmental<br>Activities<br><u>2022</u> | Governmental<br>Activities<br><u>2021</u> |
| <b><u>Cash receipts</u></b>                         |   |   |
| Program cash receipts:                              |   |   |
| Charges for services and sales                      | \$ 1,211,216                              | \$ 1,726,139                              |
| Operating grants, contributions and interest        | 2,364,575                                 | 1,654,306                                 |
| Capital grants, contributions and interest          | 1,584                                     | 1,123                                     |
| General cash receipts:                              |   |   |
| Property taxes                                      | 6,861,613                                 | 6,263,975                                 |
| Payment in lieu of taxes                            | 464,430                                   | 562,054                                   |
| Income taxes  | 396,403                                   | 314,166                                   |
| Grants and entitlements                             | 4,815,444                                 | 3,901,313                                 |
| Investment earnings                                 | 146,531                                   | 70,139                                    |
| Issuance of refunding certificates of participation | -   | 11,610,000                                |
| Issuance of refunding bonds                         | -   | 13,370,000                                |
| Premium on debt issuance                            | -   | 957,580                                   |
| Miscellaneous                                       | 56,430                                    | 183,442                                   |
| Total cash receipts                                 | <u>16,318,226</u>                         | <u>40,614,237</u>                         |

- Continued

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)

**Change in Net Cash Position (Continued)**

|  | Governmental<br>Activities<br><u>2022</u> | Governmental<br>Activities<br><u>2021</u> |
|--|---|---|
| <b><u>Cash disbursements:</u></b>        |   |   |
| Current:                                 |   |   |
| Instruction:                             |   |   |
| Regular                                  | \$ 5,458,976                              | \$ 5,428,524                              |
| Special                                  | 1,903,227                                 | 1,815,978                                 |
| Vocational                               | 69,227                                    | 99,063                                    |
| Other                                    | 2,829                                     | 4,412                                     |
| Support services:                        |   |   |
| Pupil                                    | 713,360                                   | 676,594                                   |
| Instructional staff                      | 733,699                                   | 378,576                                   |
| Board of education                       | 15,996                                    | 16,080                                    |
| Administration                           | 1,021,285                                 | 999,885                                   |
| Fiscal                                   | 538,092                                   | 483,837                                   |
| Operations and maintenance               | 1,159,682                                 | 947,225                                   |
| Pupil transportation                     | 525,719                                   | 463,416                                   |
| Central                                  | 250,807                                   | 249,720                                   |
| Operation of non-instructional services: |   |   |
| Food service operations                  | 587,455                                   | 454,204                                   |
| Other non-instructional services         | 4,500                                     | 500                                       |
| Extracurricular activities               | 626,264                                   | 583,511                                   |
| Facilities acquisition and construction  | 328,178                                   | 174,057                                   |
| Debt service:                            |   |   |
| Principal retirement                     | 1,175,000                                 | 295,000                                   |
| Interest and fiscal charges              | 855,972                                   | 549,310                                   |
| Accretion on capital appreciation bonds  | 540,000                                   | -   |
| Refunding debt issuance costs            | -   | 438,110                                   |
| Payment to refunding debt escrow agents  | -   | 25,489,152                                |
| Total cash disbursements                 | <u>16,510,268</u>                         | <u>39,547,154</u>                         |
| Change in net cash position              | (192,042)                                 | 1,067,083                                 |
| Net cash position at beginning of year   | <u>10,470,407</u>                         | <u>9,403,324</u>                          |
| Net cash position at end of year         | <u>\$ 10,278,365</u>                      | <u>\$ 10,470,407</u>                      |

**Governmental Activities**

Net cash position of the District's governmental activities decreased \$192,042 during fiscal year 2022. Total governmental cash disbursements of \$16,510,268 were offset by program cash receipts of \$3,577,375 and general cash receipts of \$12,740,851. Program cash receipts supported 21.67% of the total governmental disbursements in fiscal year 2022, compared to 8.55% in the previous year. The variance in these percentages is due to the payment to refunding escrow agents and refunding debt issuance costs in the amount of \$438,110 and \$25,489,152, respectively, included in fiscal year 2021 disbursements.

The primary sources of receipts for governmental activities for fiscal year 2022 are derived from taxes, payment in lieu of taxes, and unrestricted grants and entitlements. These sources represent 76.83% of total governmental cash receipts. The District issued \$11,610,000 and \$13,370,000 in refunding general obligation bonds and certificates of participation (COPs), respectively, during 2021, resulting in an overall decrease of \$24,296,011 to cash receipts.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)**

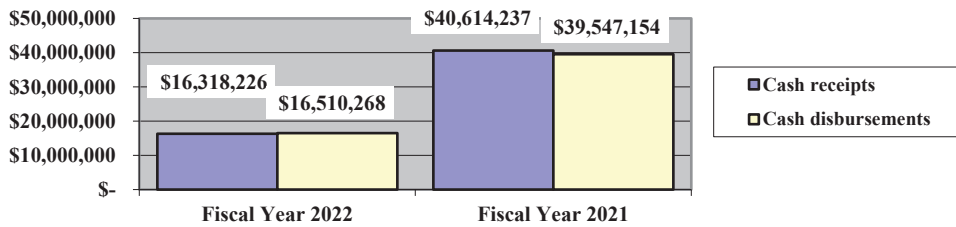
The largest cash disbursement of the District for fiscal year 2022 is instructional activities, which totaled \$7,434,259, or 45.03% of total governmental cash disbursements.

The second largest cash disbursement of the District for fiscal year 2022 is for support services activities. Support services disbursements totaled \$4,958,640 or 30.03% of total governmental disbursements for fiscal year 2022.

Principal retirement, interest and fiscal charges, and accretion on capital appreciation bonds increased \$1,726,662, as the District made the principal and interest payments that were due on the general obligation bonds and COPs on July 15, 2022, during fiscal year 2022.

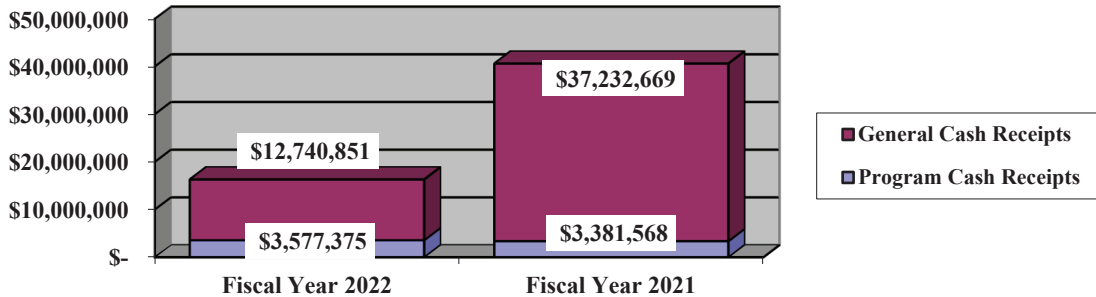
The graph below presents the District’s cash receipts and cash disbursements for fiscal years 2022 and 2021.

**Governmental Activities - Cash Receipts and Cash Disbursements**



The graph below presents the District’s governmental activities cash receipts for the fiscal years 2022 and 2021.

**Governmental Activities - General and Program Cash Receipts**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. This is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)

**Governmental Activities**

|  | Total Cost of<br>Services<br><u>2022</u> | Net Cost of<br>Services<br><u>2022</u> | Total Cost of<br>Services<br><u>2021</u> | Net Cost of<br>Services<br><u>2021</u> |
|--|--|--|--|--|
| <b>Program cash disbursements</b>        |  |  |  |  |
| Instruction:                             |  |  |  |  |
| Regular                                  | \$ 5,458,976                             | \$ 4,022,017                           | \$ 5,428,524                             | \$ 3,653,200                           |
| Special                                  | 1,903,227                                | 1,229,135                              | 1,815,978                                | 1,128,607                              |
| Vocational                               | 69,227                                   | 69,227                                 | 99,063                                   | 95,547                                 |
| Other                                    | 2,829                                    | 2,829                                  | 4,412                                    | 4,412                                  |
| Support services:                        |  |  |  |  |
| Pupil                                    | 713,360                                  | 340,486                                | 676,594                                  | 569,271                                |
| Instructional staff                      | 733,699                                  | 700,419                                | 378,576                                  | 309,152                                |
| Board of education                       | 15,996                                   | 11,294                                 | 16,080                                   | 16,080                                 |
| Administration                           | 1,021,285                                | 1,021,285                              | 999,885                                  | 995,623                                |
| Fiscal                                   | 538,092                                  | 538,092                                | 483,837                                  | 483,837                                |
| Operations and maintenance               | 1,159,682                                | 1,089,233                              | 947,225                                  | 869,845                                |
| Pupil transportation                     | 525,719                                  | 515,523                                | 463,416                                  | 458,589                                |
| Central                                  | 250,807                                  | 247,207                                | 249,720                                  | 237,656                                |
| Operation of non-instructional services: |  |  |  |  |
| Food service operations                  | 587,455                                  | (224,545)                              | 454,204                                  | (82,209)                               |
| Other non-instructional services         | 4,500                                    | (516)                                  | 500                                      | (4,340)                                |
| Extracurricular activities               | 626,264                                  | 473,641                                | 583,511                                  | 485,810                                |
| Facilities acquisition and construction  | 328,178                                  | 326,594                                | 174,057                                  | 172,934                                |
| Debt service:                            |  |  |  |  |
| Principal retirement                     | 1,175,000                                | 1,175,000                              | 295,000                                  | 295,000                                |
| Interest and fiscal charges              | 855,972                                  | 855,972                                | 549,310                                  | 549,310                                |
| Accretion on capital appreciation bonds  | 540,000                                  | 540,000                                | -  | -                                      |
| Refunding debt issuance costs            | -  | -                                      | 438,110                                  | 438,110                                |
| Payment to refunding debt escrow agents  | -  | -                                      | <u>25,489,152</u>                        | <u>25,489,152</u>                      |
| Total cash disbursements                 | <u>\$ 16,510,268</u>                     | <u>\$ 12,932,893</u>                   | <u>\$ 39,547,154</u>                     | <u>\$ 36,165,586</u>                   |

The dependence upon general cash receipts for governmental activities is apparent; with 78.33% and 91.14% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2022 and 2021, respectively.

**The District's Funds**

The District's governmental funds reported a combined fund cash balance of \$10,278,365 which is \$192,042 less than last year's total of \$10,470,407. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2022 and June 30, 2021, for all major and nonmajor governmental funds.

The fund cash balance in the nonmajor governmental funds decreased as a result of the bond retirement fund paying the July 15, 2022, principal and interest payments on the general obligation bonds during fiscal year 2022, as well as the Building Fund being presented as a separate major fund in fiscal year 2022.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)

|                       | Fund Cash Balance<br><u>June 30, 2022</u> | Fund Cash Balance<br><u>June 30, 2021</u> | Increase<br><u>(Decrease)</u> |
|-----------------------|---|---|-------------------------------|
| General               | \$ 6,627,426                              | \$ 5,785,314                              | \$ 842,112                    |
| Permanent improvement | 1,029,115                                 | 1,791,170                                 | (762,055)                     |
| Building              | 1,040,344                                 | 1,040,570                                 | (226)                         |
| Nonmajor governmental | <u>1,581,480</u>                          | <u>1,853,353</u>                          | <u>(271,873)</u>              |
| Total                 | <u>\$ 10,278,365</u>                      | <u>\$ 10,470,407</u>                      | <u>\$ (192,042)</u>           |

***General Fund***

The table that follows assists in illustrating the cash receipts and disbursements (excluding other financing sources and uses) of the general fund.

|   | 2022<br><u>Amount</u> | 2021<br><u>Amount</u> | Increase<br><u>(Decrease)</u> |
|---|-----------------------|-----------------------|-------------------------------|
| <b><u>Cash receipts</u></b>             |                       |                       |                               |
| Taxes                                   | \$ 6,448,441          | \$ 5,960,508          | \$ 487,933                    |
| Tuition and fees                        | 1,047,874             | 1,624,437             | (576,563)                     |
| Intergovernmental                       | 5,433,601             | 4,299,248             | 1,134,353                     |
| Other receipts                          | <u>291,837</u>        | <u>442,397</u>        | <u>(150,560)</u>              |
| Total                                   | <u>\$ 13,221,753</u>  | <u>\$ 12,326,590</u>  | <u>\$ 895,163</u>             |
| <b><u>Cash disbursements</u></b>        |                       |                       |                               |
| Instruction                             | \$ 6,747,220          | \$ 6,986,915          | \$ (239,695)                  |
| Support services                        | 4,586,416             | 3,971,116             | 615,300                       |
| Extracurricular activities              | 468,820               | 504,533               | (35,713)                      |
| Facilities acquisition and construction | 23,961                | 31,536                | (7,575)                       |
| Debt service                            | <u>-</u>              | <u>213,497</u>        | <u>(213,497)</u>              |
| Total                                   | <u>\$ 11,826,417</u>  | <u>\$ 11,707,597</u>  | <u>\$ 118,820</u>             |

Property taxes and income taxes increased 8.19%. Intergovernmental receipts increased and tuition and fees receipts decreased due to changes in the state foundation funding model. Other receipts increased from reimbursements and payment in lieu of taxes.

The overall increase in cash disbursements 1.01% during fiscal year 2021. Instruction disbursements decreased as certain disbursements were paid from the ESSER fund during fiscal year 2022. Support services disbursements increased from pupil, instructional staff, administration, fiscal, operations and maintenance, pupil transportation, and central disbursements. Debt service disbursements in fiscal year 2021 were related to the Series 2021 COPs refunding.

***Permanent Improvement Fund***

The District's permanent improvement fund is reported as a major fund. This fund accounts for the accumulation of resources to be used for the permanent improvement of school facilities. The permanent improvement fund had \$560,286 in cash receipts and \$1,322,341 in cash disbursements. During fiscal year 2022, the permanent improvement fund cash balance decreased \$762,055, which is attributed to the District making the July 15, 2022 debt service payments on the COPs in fiscal year 2022.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(UNAUDITED)

***Building Fund***

The District's building fund is reported as a major fund. This fund accounts for resources that are restricted for the acquisition, construction or improvement of capital facilities and for the acquisition of capital assets. The building fund had \$226 in cash disbursements related to the District's Ohio Facilities Construction Commission project. The cash fund balance at fiscal year end was \$1,040,344.

***General Fund Budgeting Highlights***

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

For the general fund, final budgetary basis receipts and other financing sources were \$13,182,140, which was above original budget estimates of \$12,056,081. The actual budgetary basis receipts and other financing sources of \$13,249,789 were more than the final budget estimate by \$67,649.

The original budgetary basis disbursements and other financing uses of \$13,204,966 were increased to \$15,317,000 in the final budget. The actual budgetary basis disbursements were \$12,701,745, or \$2,615,255 less than the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$328,178 during fiscal year 2022.

***Debt Administration***

The following table summarizes the debt obligations outstanding. Refer to Note 8 to the basic financial statements for detail on the District's long-term debt.

**Outstanding Debt, at Year End**

|                                | Governmental<br>Activities<br><u>2022</u> | Governmental<br>Activities<br><u>2021</u> |
|--------------------------------|---|---|
| General obligation bonds       | \$ 13,240,143                             | \$ 14,070,323                             |
| Certification of participation | <u>11,610,000</u>                         | <u>12,230,000</u>                         |
| Total                          | <u>\$ 24,850,143</u>                      | <u>\$ 26,300,323</u>                      |

**Current Issues**

Fiscal year 2022 had income tax collections on target from the original projections. The District is once again showing positive cash balances at the end of each fiscal year for the life of the forecast. However, deficit spending appears to grow each year.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Angel Adamski, Treasurer, Northwood Local School District, 600 Lemoyne Road, Northwood, Ohio 43619.



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2022

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>   |                                    |
| Equity in pooled cash, cash<br>equivalents and investments | \$ 10,278,365                      |
| <b>Net position:</b>                                       |                                    |
| Restricted for:  |                                    |
| Capital projects   | 2,596,417                          |
| Classroom facilities maintenance                           | 422,589                            |
| Food service operations                                    | 577,763                            |
| State funded programs                                      | 36,724                             |
| Federally funded programs                                  | 1,153                              |
| Extracurricular  | 97,329                             |
| Locally funded programs                                    | 85,645                             |
| Unrestricted   | 6,460,745                          |
| Total net position   | \$ 10,278,365                      |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|   | Disbursements        | Program Receipts                     |  |   | Net<br>(Disbursements)<br>Receipts and<br>Changes in<br>Net Position |
|---|----------------------|--------------------------------------|--|---|--|
|   |                      | Charges for<br>Services<br>and Sales | Operating<br>Grants,<br>Contributions<br>and Interest          | Capital<br>Grants,<br>Contributions<br>and Interest | Governmental<br>Activities   |
| <b>Governmental activities:</b>             |                      |                                      |  |   |  |
| Instruction:                                |                      |                                      |  |   |  |
| Regular                                     | \$ 5,458,976         | \$ 1,021,382                         | \$ 415,577   | \$ -  | \$ (4,022,017)   |
| Special                                     | 1,903,227            | 50,894                               | 623,198  | -   | (1,229,135)  |
| Vocational                                  | 69,227               | -                                    | -  | -   | (69,227)   |
| Other                                       | 2,829                | -                                    | -  | -   | (2,829)  |
| Support services:                           |                      |                                      |  |   |  |
| Pupil                                       | 713,360              | -                                    | 372,874  | -   | (340,486)  |
| Instructional staff                         | 733,699              | -                                    | 33,280   | -   | (700,419)  |
| Board of education                          | 15,996               | -                                    | 4,702  | -   | (11,294)   |
| Administration                              | 1,021,285            | -                                    | -  | -   | (1,021,285)  |
| Fiscal                                      | 538,092              | -                                    | -  | -   | (538,092)  |
| Operations and maintenance                  | 1,159,682            | -                                    | 70,449   | -   | (1,089,233)  |
| Pupil transportation                        | 525,719              | -                                    | 10,196   | -   | (515,523)  |
| Central                                     | 250,807              | -                                    | 3,600  | -   | (247,207)  |
| Operation of non-instructional<br>services: |                      |                                      |  |   |  |
| Food service operations                     | 587,455              | 17,473                               | 794,527  | -   | 224,545  |
| Other non-instructional services            | 4,500                | -                                    | 5,016  | -   | 516  |
| Extracurricular activities                  | 626,264              | 121,467                              | 31,156   | -   | (473,641)  |
| Facilities acquisition and construction     | 328,178              | -                                    | -  | 1,584   | (326,594)  |
| Debt service:                               |                      |                                      |  |   |  |
| Principal retirement                        | 1,175,000            | -                                    | -  | -   | (1,175,000)  |
| Interest and fiscal charges                 | 855,972              | -                                    | -  | -   | (855,972)  |
| Accretion on capital appreciation bonds     | 540,000              | -                                    | -  | -   | (540,000)  |
| <b>Total governmental activities</b>        | <u>\$ 16,510,268</u> | <u>\$ 1,211,216</u>                  | <u>\$ 2,364,575</u>  | <u>\$ 1,584</u>                                     | <u>(12,932,893)</u>  |
|   |                      |                                      | <b>General receipts:</b>                                       |   |  |
|   |                      |                                      | Property taxes levied for:                                     |   |  |
|   |                      |                                      | General purposes   |   | 6,052,038  |
|   |                      |                                      | Classroom facilities maintenance                               |   | 58,418   |
|   |                      |                                      | Debt service   |   | 610,406  |
|   |                      |                                      | Capital outlay   |   | 140,751  |
|   |                      |                                      | Payment in lieu of taxes                                       |   | 464,430  |
|   |                      |                                      | Income taxes levied for:                                       |   |  |
|   |                      |                                      | General purposes   |   | 396,403  |
|   |                      |                                      | Grants and entitlements not restricted<br>to specific programs |   | 4,815,444  |
|   |                      |                                      | Investment earnings  |   | 146,531  |
|   |                      |                                      | Miscellaneous  |   | 56,430   |
|   |                      |                                      | Total general receipts   |   | <u>12,740,851</u>  |
|   |                      |                                      | Change in net position   |   | (192,042)  |
|   |                      |                                      | <b>Net position at beginning of year</b>                       |   | <u>10,470,407</u>  |
|   |                      |                                      | <b>Net position at end of year</b>                             |   | <u>\$ 10,278,365</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2022

|  | <u>General</u>      | <u>Permanent<br/>Improvement</u> | <u>Building</u>     | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|----------------------------------|---------------------|--|---|
| <b>Assets:</b>   |                     |                                  |                     |  |   |
| Equity in pooled cash, cash<br>equivalents and investments | \$ 6,627,426        | \$ 1,029,115                     | \$ 1,040,344        | \$ 1,581,480                               | \$ 10,278,365                           |
| <b>Fund balances:</b>                                      |                     |                                  |                     |  |   |
| Restricted:  |                     |                                  |                     |  |   |
| Capital improvements                                       | -                   | 1,029,115                        | 1,040,344           | 526,958                                    | 2,596,417                               |
| Classroom facilities maintenance                           | -                   | -                                | -                   | 422,589                                    | 422,589                                 |
| Food service operations                                    | -                   | -                                | -                   | 577,763                                    | 577,763                                 |
| State funded programs                                      | -                   | -                                | -                   | 36,724                                     | 36,724                                  |
| Federally funded programs                                  | -                   | -                                | -                   | 1,153                                      | 1,153                                   |
| Extracurricular  | -                   | -                                | -                   | 97,329                                     | 97,329                                  |
| Locally funded programs                                    | -                   | -                                | -                   | 85,645                                     | 85,645                                  |
| Committed:   |                     |                                  |                     |  |   |
| Capital improvements                                       | -                   | -                                | -                   | 2,748                                      | 2,748                                   |
| Future severance payments                                  | 242,394             | -                                | -                   | -  | 242,394                                 |
| Assigned:  |                     |                                  |                     |  |   |
| Student instruction  | 62,761              | -                                | -                   | -  | 62,761                                  |
| Student and staff support                                  | 276,446             | -                                | -                   | -  | 276,446                                 |
| Extracurricular activities                                 | 36,659              | -                                | -                   | -  | 36,659                                  |
| Facilities acquisition and construction                    | 18,558              | -                                | -                   | -  | 18,558                                  |
| Subsequent year appropriations                             | 1,177,857           | -                                | -                   | -  | 1,177,857                               |
| Educational activities                                     | 377                 | -                                | -                   | -  | 377                                     |
| School supplies  | 218                 | -                                | -                   | -  | 218                                     |
| Unassigned (deficit)                                       | 4,812,156           | -                                | -                   | (169,429)                                  | 4,642,727                               |
| Total fund balances  | <u>\$ 6,627,426</u> | <u>\$ 1,029,115</u>              | <u>\$ 1,040,344</u> | <u>\$ 1,581,480</u>                        | <u>\$ 10,278,365</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|   | <u>General</u>      | <u>Permanent<br/>Improvement</u> | <u>Building</u>     | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|----------------------------------|---------------------|--|---|
| <b>Receipts:</b>                              |                     |                                  |                     |  |   |
| Property taxes                                | \$ 6,052,038        | \$ 140,751                       | \$ -                | \$ 668,824                                 | \$ 6,861,613                            |
| Income taxes                                  | 396,403             | -                                | -                   | -  | 396,403                                 |
| Intergovernmental                             | 5,433,601           | 19,579                           | -                   | 1,668,134                                  | 7,121,314                               |
| Investment earnings                           | 146,531             | -                                | -                   | 1,134                                      | 147,665                                 |
| Tuition and fees                              | 1,047,874           | -                                | -                   | -  | 1,047,874                               |
| Extracurricular                               | 3,843               | -                                | -                   | 121,467                                    | 125,310                                 |
| Rental income                                 | 13,200              | -                                | -                   | -  | 13,200                                  |
| Charges for services                          | -                   | -                                | -                   | 17,473                                     | 17,473                                  |
| Contributions and donations                   | 23,965              | -                                | -                   | 17,695                                     | 41,660                                  |
| Payment in lieu of taxes                      | 64,474              | 399,956                          | -                   | -  | 464,430                                 |
| Miscellaneous                                 | 39,824              | -                                | -                   | 41,460                                     | 81,284                                  |
| Total receipts                                | <u>13,221,753</u>   | <u>560,286</u>                   | <u>-</u>            | <u>2,536,187</u>                           | <u>16,318,226</u>                       |
| <b>Disbursements:</b>                         |                     |                                  |                     |  |   |
| Current:                                      |                     |                                  |                     |  |   |
| Instruction:                                  |                     |                                  |                     |  |   |
| Regular                                       | 4,990,114           | -                                | -                   | 468,862                                    | 5,458,976                               |
| Special                                       | 1,685,050           | -                                | -                   | 218,177                                    | 1,903,227                               |
| Vocational                                    | 69,227              | -                                | -                   | -  | 69,227                                  |
| Other   | 2,829               | -                                | -                   | -  | 2,829                                   |
| Support services:                             |                     |                                  |                     |  |   |
| Pupil   | 560,860             | -                                | -                   | 152,500                                    | 713,360                                 |
| Instructional staff                           | 661,211             | -                                | -                   | 72,488                                     | 733,699                                 |
| Board of education                            | 15,996              | -                                | -                   | -  | 15,996                                  |
| Administration                                | 1,021,004           | -                                | -                   | 281  | 1,021,285                               |
| Fiscal  | 524,297             | 2,326                            | -                   | 11,469                                     | 538,092                                 |
| Operations and maintenance                    | 1,050,890           | -                                | -                   | 108,792                                    | 1,159,682                               |
| Pupil transportation                          | 508,285             | -                                | -                   | 17,434                                     | 525,719                                 |
| Central                                       | 243,873             | -                                | -                   | 6,934                                      | 250,807                                 |
| Operation of non-instructional services:      |                     |                                  |                     |  |   |
| Food service operations                       | -                   | -                                | -                   | 587,455                                    | 587,455                                 |
| Other non-instructional services              | -                   | -                                | -                   | 4,500                                      | 4,500                                   |
| Extracurricular activities                    | 468,820             | -                                | -                   | 157,444                                    | 626,264                                 |
| Facilities acquisition and construction       | 23,961              | 277,217                          | 226                 | 26,774                                     | 328,178                                 |
| Debt service:                                 |                     |                                  |                     |  |   |
| Principal retirement                          | -                   | 620,000                          | -                   | 555,000                                    | 1,175,000                               |
| Interest and fiscal charges                   | -                   | 422,798                          | -                   | 433,174                                    | 855,972                                 |
| Accretion on capital appreciation bonds       | -                   | -                                | -                   | 540,000                                    | 540,000                                 |
| Total disbursements                           | <u>11,826,417</u>   | <u>1,322,341</u>                 | <u>226</u>          | <u>3,361,284</u>                           | <u>16,510,268</u>                       |
| Excess of receipts over (under) disbursements | <u>1,395,336</u>    | <u>(762,055)</u>                 | <u>(226)</u>        | <u>(825,097)</u>                           | <u>(192,042)</u>                        |
| <b>Other financing sources (uses):</b>        |                     |                                  |                     |  |   |
| Transfers in                                  | -                   | -                                | -                   | 553,246                                    | 553,246                                 |
| Transfers (out)                               | (553,246)           | -                                | -                   | -  | (553,246)                               |
| Advances in                                   | 22                  | -                                | -                   | -  | 22                                      |
| Advances (out)                                | -                   | -                                | -                   | (22)                                       | (22)                                    |
| Total other financing sources (uses)          | <u>(553,224)</u>    | <u>-</u>                         | <u>-</u>            | <u>553,224</u>                             | <u>-</u>                                |
| Net change in fund balances                   | 842,112             | (762,055)                        | (226)               | (271,873)                                  | (192,042)                               |
| <b>Fund balances at beginning of year</b>     | <u>5,785,314</u>    | <u>1,791,170</u>                 | <u>1,040,570</u>    | <u>1,853,353</u>                           | <u>10,470,407</u>                       |
| <b>Fund balances at end of year</b>           | <u>\$ 6,627,426</u> | <u>\$ 1,029,115</u>              | <u>\$ 1,040,344</u> | <u>\$ 1,581,480</u>                        | <u>\$ 10,278,365</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|   | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|---------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>        |                     |   |
| <b>Receipts:</b>  |                         |                     |                     |   |
| From local sources:   |                         |                     |                     |   |
| Property taxes  | \$ 5,610,259            | \$ 6,054,115        | \$ 6,052,038        | \$ (2,077)  |
| Income taxes  | 309,847                 | 396,403             | 396,403             | -   |
| Intergovernmental   | 4,364,646               | 5,427,318           | 5,433,601           | 6,283   |
| Investment earnings   | 101,095                 | 85,112              | 146,531             | 61,419  |
| Tuition and fees  | 1,536,605               | 1,030,393           | 1,030,495           | 102   |
| Rental income   | 14,200                  | 13,200              | 13,200              | -   |
| Contributions and donations                                   | -                       | 23,362              | 23,362              | -   |
| Payment in lieu of taxes                                      | 64,474                  | 64,474              | 64,474              | -   |
| Miscellaneous   | 54,953                  | 26,801              | 28,723              | 1,922   |
| Total receipts  | <u>12,056,080</u>       | <u>13,121,178</u>   | <u>13,188,827</u>   | <u>67,649</u>   |
| <b>Disbursements:</b>   |                         |                     |                     |   |
| Current:  |                         |                     |                     |   |
| Instruction:  |                         |                     |                     |   |
| Regular   | 5,334,582               | 5,712,685           | 5,011,131           | 701,554   |
| Special   | 2,033,646               | 2,155,024           | 1,686,322           | 468,702   |
| Vocational  | 69,867                  | 70,490              | 69,227              | 1,263   |
| Other   | 16,000                  | 16,500              | 2,829               | 13,671  |
| Support services:   |                         |                     |                     |   |
| Pupil   | 640,690                 | 615,871             | 561,090             | 54,781  |
| Instructional staff   | 738,606                 | 842,760             | 661,244             | 181,516   |
| Board of education  | 21,500                  | 46,764              | 15,996              | 30,768  |
| Administration  | 966,249                 | 1,104,972           | 1,023,598           | 81,374  |
| Fiscal  | 486,458                 | 602,776             | 524,905             | 77,871  |
| Operations and maintenance                                    | 1,401,159               | 1,572,418           | 1,158,464           | 413,954   |
| Pupil transportation  | 616,770                 | 720,958             | 640,388             | 80,570  |
| Central   | 263,712                 | 260,017             | 245,352             | 14,665  |
| Operation of non-instructional services:                      |                         |                     |                     |   |
| Other non-instructional services                              | 500                     | 500                 | -                   | 500   |
| Extracurricular activities                                    | 615,227                 | 632,265             | 505,434             | 126,831   |
| Facilities acquisition and construction                       | -                       | 163,000             | 42,519              | 120,481   |
| Total disbursements   | <u>13,204,966</u>       | <u>14,517,000</u>   | <u>12,148,499</u>   | <u>2,368,501</u>  |
| Excess (deficiency) of receipts over<br>(under) disbursements | <u>(1,148,886)</u>      | <u>(1,395,822)</u>  | <u>1,040,328</u>    | <u>2,436,150</u>  |
| <b>Other financing sources (uses):</b>                        |                         |                     |                     |   |
| Refund of prior year disbursements                            | -                       | 60,940              | 60,940              | -   |
| Transfers (out)   | -                       | (800,000)           | (553,246)           | 246,754   |
| Advances in   | -                       | 22                  | 22                  | -   |
| Total other financing sources (uses)                          | <u>-</u>                | <u>(739,038)</u>    | <u>(492,284)</u>    | <u>246,754</u>  |
| Net change in fund balance                                    | (1,148,886)             | (2,134,860)         | 548,044             | 2,682,904   |
| <b>Fund balance at beginning of year</b>                      | 5,387,015               | 5,387,015           | 5,387,015           | -   |
| <b>Prior year encumbrances appropriated</b>                   | 187,560                 | 187,560             | 187,560             | -   |
| <b>Fund balance at end of year</b>                            | <u>\$ 4,425,689</u>     | <u>\$ 3,439,715</u> | <u>\$ 6,122,619</u> | <u>\$ 2,682,904</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2022

|   | <u>Custodial</u> |
|---|------------------|
| <b>Assets:</b>  |                  |
| Equity in pooled cash, cash equivalents and investments | <u>\$ 18,402</u> |
| <b>Net position:</b>                                    |                  |
| Held for individuals or organizations                   | <u>\$ 18,402</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|  | <u>Custodial</u> |
|--|------------------|
| <b>Additions:</b>  |                  |
| Contributions and donations  | \$ 3,300         |
| <b>Deductions:</b>   |                  |
| Distribution of scholarships on behalf of individuals or organizations | <u>5,600</u>     |
| Change in net position   | (2,300)          |
| <b>Net position at beginning of year</b>                               | <u>20,702</u>    |
| <b>Net position at end of year</b>                                     | <u>\$ 18,402</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1964. It is located in Wood County. The District is staffed by 35 classified employees, 60 certified teaching personnel and 12 administrative employees who provide services to 986 students and other community members. The District currently operates three instructional buildings.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as a fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2022, the District paid \$37,836 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archibold, Ohio 43502.

Penta Career Center

The Penta Career Center (the "Center") is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Center is operated under the direction of a Board consisting of nine members from the participating school districts' elected Boards. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg and Rossford; one representative from each of the these counties: Fulton, Ottawa and Lucas; and two representatives from Wood County. The Center's Board possesses its own budgeting and taxing authority. Financial information can be obtained from Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

*INSURANCE PURCHASING POOLS*

Ohio School Plan

The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a twelve-member board consisting of individual representatives from various plan members. Hylant Administrative Services is the Plan's administrator and is responsible for processing claims, sales, and customer service. Financial information can be obtained from the Hylant Administrative Services, LLC, 811 Madison Avenue, Toledo, Ohio 43604.

Wood County School Benefit Plan Association

The District participates in the Wood County Schools Benefit Plan Association (the "Association"); a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and an educational service center. The Association is organized as a Voluntary Employee Benefits Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental and other benefits to the employees of the participating members. Each participating member's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Association.

Each member decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Association is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Huntington Retirement Plan Services, 519 Madison Avenue, 3<sup>rd</sup> Floor, Toledo, Ohio 43604.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Ohio Association of School Business Officials Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

**C. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

*GOVERNMENTAL FUNDS*

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Permanent Improvement fund - The permanent improvement fund is used to account for resources that are restricted for the acquisition, construction or improvement of permanent assets. The fund balance of this fund is restricted for capital improvements.

Building fund - The building fund is used to account for resources that are restricted for the acquisition, construction or improvement of capital facilities and for acquisition of capital assets. The fund balance of this fund is restricted for capital improvements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Other governmental funds of the District are used to account for (a) specific cash receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects, (b) financial resources that are restricted, committed, or assigned to disbursements for principal and interest and (c) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets.

*FIDUCIARY FUNDS*

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's only fiduciary fund type is custodial, where the District acts as a fiscal agent for individuals or other organizations. The District's custodial fund is used to account for scholarships in which recipients are selected by individuals or other organizations.

**D. Basis of Presentation**

The District's basic financial statements consist of government-wide financial 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 - cash basis and the statement of activities - cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities - cash basis compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. 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, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**E. Budgets**

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 certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The District budgets and appropriates its custodial funds. The primary level of budgetary control is at the fund, object level for the general fund, and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Wood County Budget Commission for rate determination. The Wood County Budget Commission waived the tax budget filing requirement for fiscal year 2022.

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund.

Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificate issued during fiscal year 2022.

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund-object level of expenditures for the general fund, and at the fund level for all other funds, which are the legal level of budgetary controls. Prior to the passage of the annual appropriations measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total of any level of control. Any revisions that alter the total object appropriations within a fund (for general fund), or the total of any fund appropriation (for all other funds) must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statement of budgetary comparisons represent the original and final appropriation amounts, including all supplemental appropriations.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**5. Lapsing of Appropriations**

At the close of each fiscal 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.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash, cash equivalents and investments" on the basic financial statements.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2022, investments consisted of a U.S. government money market mutual fund, negotiable certificates of deposit, Federal Home Loan Bank (FHLB) securities, Federal Farm Credit Bank (FFCB) securities, U.S. Treasury Notes, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). In accordance with the cash basis of accounting, all District investments, except STAR Ohio, are reported at cost.

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest receipts credited to the general fund during fiscal year 2022 amounted to \$146,531 which includes \$48,434 assigned from other funds, while interest in the amount of \$1,134 was credited to other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Capital Assets**

Acquisition of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**I. Long-Term Obligations**

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

**J. Fund Cash Balance**

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or are legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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 - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. 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 District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. 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 subsequent year's appropriated budget.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted and 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.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Net Position**

Net position is reported as restricted when there are limitation imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. The District did not have any assets restricted by enabling legislation at June 30, 2022.

**L. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted assets at June 30, 2022.

**M. Interfund Activity**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

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

For purposes of measuring the net pension/OPEB liability and net OPEB asset, 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.

**O. Inventory and Prepaid Items**

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

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

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2022, the District has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Since the District does not prepare financial statements using generally accepted accounting principles, the implementation of GASB Statement No. 87 did not have an effect on the financial statements of the District.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the District.



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

**B. Accountability**

Fund balances at June 30, 2022 included the following individual fund deficits:

| <u>Nonmajor governmental funds</u>                       | <u>Deficit</u> |
|--|----------------|
| Other grant  | \$ 17,434      |
| Elementary and secondary school emergency relief (ESSER) | 17,407         |
| Title VI-B   | 11,966         |
| Student support and academic enrichment programs         | 205            |
| Improving teacher quality                                | 2,054          |
| Bond retirement  | 89,052         |

The general fund is liable for any deficit in these funds and provides transfers when cash is required.

**C. Compliance**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent 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, or legal governments, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No load money market mutual funds consisting exclusively of obligations described in items (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;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At year end, the District had \$215 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash, cash equivalents and investments”.

**B. Deposits with Financial Institutions**

At June 30, 2022, the carrying amount of all District deposits was \$2,443,561 and the bank balance of all District deposits was \$2,606,528. Of the bank balance, \$115,269 was exposed to custodial risk.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**C. Investments**

As of June 30, 2022, the District had the following investments and maturities:

| Measurement/<br><u>Investment type</u> | Balance at<br><u>Carrying Value</u> | Balance at<br><u>Fair Value</u> | <u>Investment Maturities</u> |                           |                            |                            |                                   |
|--|-------------------------------------|---------------------------------|------------------------------|---------------------------|----------------------------|----------------------------|-----------------------------------|
|  |                                     |                                 | <u>6 months or<br/>less</u>  | <u>7 to 12<br/>months</u> | <u>13 to 18<br/>months</u> | <u>19 to 24<br/>months</u> | <u>Greater than<br/>24 months</u> |
| <i>Net Asset Value<br/>per share:</i>  |                                     |                                 |                              |                           |                            |                            |                                   |
| STAR Ohio                              | \$ 1,821,484                        | \$ 1,821,484                    | \$ 1,821,484                 | \$ -                      | \$ -                       | \$ -                       | \$ -                              |
| <i>Fair Value:</i>                     |                                     |                                 |                              |                           |                            |                            |                                   |
| Negotiable CD's                        | 3,531,681                           | 3,402,566                       | 950,549                      | 270,083                   | 974,460                    | 689,560                    | 517,914                           |
| FHLB                                   | 593,630                             | 556,236                         | -                            | -                         | -                          | -                          | 556,236                           |
| FFCB                                   | 461,253                             | 432,341                         | -                            | -                         | -                          | -                          | 432,341                           |
| U.S. treasury note                     | 299,547                             | 297,093                         | -                            | 297,093                   | -                          | -                          | -                                 |
| U.S. government<br>money market        | <u>1,145,396</u>                    | <u>1,145,396</u>                | <u>1,145,396</u>             | <u>-</u>                  | <u>-</u>                   | <u>-</u>                   | <u>-</u>                          |
| Total                                  | <u>\$ 7,852,991</u>                 | <u>\$ 7,655,116</u>             | <u>\$ 3,917,429</u>          | <u>\$ 567,176</u>         | <u>\$ 974,460</u>          | <u>\$ 689,560</u>          | <u>\$ 1,506,491</u>               |

The weighted average maturity of investments is 0.97 years.

*Interest Rate Risk:* Interest rate risk is the risk potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The federal agency securities were rated AAA and AA+ by Moody’s and Standard and Poor’s, respectively. The U.S. treasury notes were rated AAA by Moody’s and Standard & Poor’s. The negotiable CDs are fully covered by FDIC. The U.S. Government money market was rated Aaa-mf by Moody’s.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2022:

| <u>Measurement/Investment type</u> | <u>Carrying Value</u> | <u>% of Total</u> |
|------------------------------------|-----------------------|-------------------|
| <i>Net Asset Value per share:</i>  |                       |                   |
| STAR Ohio                          | \$ 1,821,484          | 23.20             |
| <i>Fair Value:</i>                 |                       |                   |
| Negotiable CDs                     | 3,531,681             | 44.97             |
| FHLB                               | 593,630               | 7.56              |
| FFCB                               | 461,253               | 5.87              |
| U.S. treasury note                 | 299,547               | 3.81              |
| U.S. government money market       | <u>1,145,396</u>      | <u>14.59</u>      |
| Total                              | <u>\$ 7,852,991</u>   | <u>100.00</u>     |

**D. Reconciliation of Cash to the Statement of Net Position**

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2022:

|   |                      |
|---|----------------------|
| <u>Cash per note</u>                          |                      |
| Carrying amount of deposits                   | \$ 2,443,561         |
| Investments                                   | 7,852,991            |
| Cash on hand                                  | <u>215</u>           |
| Total   | <u>\$ 10,296,767</u> |
| <br><u>Cash per statement of net position</u> |                      |
| Governmental activities                       | \$ 10,278,365        |
| Custodial fund                                | <u>18,402</u>        |
| Total   | <u>\$ 10,296,767</u> |

**NOTE 5 - PROPERTY TAXES**

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 5 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2022 represent the collection of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2022 represent the collection of calendar year 2021 taxes.

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

The District receives property taxes from Wood County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

|   | 2021 Second<br>Half Collections |                | 2022 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 127,972,670                  | 96.75          | \$ 129,248,820                 | 96.54          |
| Public utility personal                           | <u>4,298,010</u>                | <u>3.25</u>    | <u>4,638,920</u>               | <u>3.46</u>    |
| Total   | <u>\$ 132,270,680</u>           | <u>100.00</u>  | <u>\$ 133,887,740</u>          | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$80.55                         |                | \$82.61                        |                |

**NOTE 6 - PAYMENT IN LIEU OF TAXES**

According to State law, Wood County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to these property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**NOTE 7 - INCOME TAXES**

The District levies a voted income tax of 0.25% on the income of residents for general operations of the District and to offset a portion of the K-12 facilities construction project. The income tax became effective on January 1, 2015 and is in effect for a continual period of time. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$396,403 for fiscal year 2022.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 8 - LONG-TERM OBLIGATIONS**

During fiscal year 2022, the following changes occurred in the District's long-term obligations:

|  | Balance<br>Outstanding<br><u>06/30/21</u> | <u>Additions</u>  | <u>Reductions</u>     | Balance<br>Outstanding<br><u>06/30/22</u> | Amounts<br>Due in<br><u>One Year</u> |
|--|---|-------------------|-----------------------|---|--------------------------------------|
| <b>Governmental activities:</b>        |   |                   |                       |   |                                      |
| <u>General obligation bonds</u>        |   |                   |                       |   |                                      |
| Series 2014A bonds                     |   |                   |                       |   |                                      |
| Capital appreciation                   | \$ 60,000                                 | \$ -              | \$ (45,000)           | \$ 15,000                                 | \$ -                                 |
| Accreted interest                      | 325,470                                   | 68,912            | (285,000)             | 109,382                                   | -                                    |
| Series 2014B                           |   |                   |                       |   |                                      |
| Capital appreciation                   | 55,000                                    | -                 | (55,000)              | -   | -                                    |
| Accreted interest                      | 222,548                                   | 32,452            | (255,000)             | -   | -                                    |
| Series 2020A                           |   |                   |                       |   |                                      |
| Current interest and term              | 9,490,000                                 | -                 | (385,000)             | 9,105,000                                 | -                                    |
| Capital appreciation                   | 705,000                                   | -                 | -                     | 705,000                                   | 200,000                              |
| Accreted interest                      | 37,305                                    | 163,456           | -                     | 200,761                                   | 37,305                               |
| Series 2020B                           |   |                   |                       |   |                                      |
| Current interest and term              | <u>3,175,000</u>                          | <u>-</u>          | <u>(70,000)</u>       | <u>3,105,000</u>                          | <u>185,000</u>                       |
| Total general obligation<br>bonds      | <u>14,070,323</u>                         | <u>264,820</u>    | <u>(1,095,000)</u>    | <u>13,240,143</u>                         | <u>422,305</u>                       |
| <u>Certificates of participation:</u>  |   |                   |                       |   |                                      |
| Series 2014                            | 620,000                                   | -                 | (620,000)             | -   | -                                    |
| Refunding series 2021                  | <u>11,610,000</u>                         | <u>-</u>          | <u>-</u>              | <u>11,610,000</u>                         | <u>350,000</u>                       |
| Total certificates of<br>participation | <u>12,230,000</u>                         | <u>-</u>          | <u>(620,000)</u>      | <u>11,610,000</u>                         | <u>350,000</u>                       |
| Total governmental activities          | <u>\$ 26,300,323</u>                      | <u>\$ 264,820</u> | <u>\$ (1,715,000)</u> | <u>\$ 24,850,143</u>                      | <u>\$ 772,305</u>                    |

Construction Bonds, Series 2014A: On October 9, 2014, the District issued general obligation bonds in order to fund the local share and required locally funded initiatives under the Classroom Facilities Assistance Program of the Ohio Facilities Construction Commission (OFCC). These bonds are unlimited tax general obligation (UTGO) debt, which is voted general obligation debt of the District, for which its full faith and credit is pledged for repayment. The bonds are paid from the bond retirement fund, a nonmajor governmental fund.

The original issue was comprised of both current interest and term bonds, par value \$10,780,000, and capital appreciation bonds, par value \$90,000. The interest rates on the current interest bonds ranged from 1.00% to 5.00%. Interest payments on the current interest and term bonds were due on January 15 and July 15 of each year. The capital appreciation bonds mature on July 15, of 2020, 2021, 2022, 2025 and 2026 (stated interest rate of 30.61%, 29.93%, 29.10%, 29.30%, and 28.92%, respectively) at a redemption price equal to 100% of the principal plus accreted interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$795,000. A total of \$109,832 in interest has been accreted on the capital appreciation bonds as of June 30, 2022.

On September 9, 2020, the District issued \$10,195,000 in Series 2020A advance refunding general obligation bonds to refund the callable \$10,195,000 Series 2014A current interest and term bonds.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Future debt service payments on the capital appreciation bonds are as follows:

| <u>Fiscal Year</u> | <u>Capital Appreciation Bonds, Series 2014A</u> |                   |                   |
|--------------------|---|-------------------|-------------------|
|                    | <u>Principal</u>                                | <u>Interest</u>   | <u>Total</u>      |
| 2023               | \$ -  |                   | \$ -              |
| 2024               | -   |                   | -                 |
| 2025               | 10,000  | 180,000           | 190,000           |
| 2026               | <u>5,000</u>                                    | <u>115,000</u>    | <u>120,000</u>    |
| Total              | <u>\$ 15,000</u>                                | <u>\$ 295,000</u> | <u>\$ 310,000</u> |

Construction Bonds, Series 2014B: On October 9, 2014, the District issued general obligation bonds in order to fund the local share and required locally funded initiatives under the Classroom Facilities Assistance Program of the Ohio Facilities Construction Commission (OFCC). These bonds were limited tax general obligation debt (LTGO), which is unvoted general obligation debt of the District, for which its full faith and credit is pledged for repayment. The bonds were paid from the bond retirement fund, a nonmajor governmental fund.

The original issue was comprised of both current interest bonds, par value \$3,545,000, and capital appreciation bonds, par value \$55,000. The interest rates on the current interest bonds ranged from 1.00% to 3.75%. Interest payments on the current interest and term bonds were due on January 15 and July 15 of each year. The capital appreciation bonds matured on July 15, of 2021 and 2022 (stated interest rate of 25.80% and 24.93%, respectively) at a redemption price equal to 100% of the principal plus accreted interest to the redemption date. During fiscal year 2022, the District retired the capital appreciation bonds in full.

On September 9, 2020, the District issued \$3,175,000 in Series 2020B advance refunding general obligation bonds to refund the callable \$2,925,000 Series 2014B current interest and term bonds.

Refunding Bonds, Series 2020A: On September 9, 2020, the District issued \$10,195,000 in Series 2020A refunding bonds to advance refund \$10,195,000 of the Series 2014A construction bonds. These bonds are UTGO debt, which is voted general obligation debt of the District, for which its full faith and credit is pledged for repayment. The bonds are paid from the bond retirement fund, a nonmajor governmental fund.

The original refunding issue is comprised of both current interest serial and term bonds, par value \$9,490,000, and capital appreciation bonds, par value \$705,000. The interest rates on the current interest bonds range from 0.374% to 2.869%. The capital appreciation bonds mature on July 15, of 2023, 2024, 2025, 2026, 2027 and 2028 (stated interest rate of 19.512%, 19.664%, 20.160%, 19.294%, 18.821%, and 19.259%, respectively) at a redemption price equal to 100% of the principal plus accreted interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,810,000. A total of \$200,761 in interest has been accreted on the capital appreciation bonds as of June 30, 2022.

The net present value savings of the refunding was \$1,562,705. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded bonds, which have a balance of \$10,195,000, were not included in the District's outstanding debt obligations since the District has in-substance satisfied its obligations through the advance refunding. \$10,981,095 was paid to the refunding escrow agent in fiscal year 2021 as part of the refunding transaction.

Interest payments on the current interest serial and term bonds are due on January 15 and July 15 of each year. The final stated maturity is July 15, 2047.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Future debt service payments are as follows:

| Fiscal Year | Current Interest Bonds, Series 2020A |                     |                      | Capital Appreciation Bonds, Series 2020A |                     |                     |
|-------------|--------------------------------------|---------------------|----------------------|--|---------------------|---------------------|
|             | Principal                            | Interest            | Total                | Principal                                | Interest            | Total               |
| 2023        | \$ -                                 | \$ 229,637          | \$ 229,637           | \$ 200,000                               | \$ 140,000          | \$ 340,000          |
| 2024        | -                                    | 229,637             | 229,637              | 170,000                                  | 180,000             | 350,000             |
| 2025        | -                                    | 229,637             | 229,637              | 65,000                                   | 100,000             | 165,000             |
| 2026        | -                                    | 229,637             | 229,637              | 80,000                                   | 155,000             | 235,000             |
| 2027        | -                                    | 229,637             | 229,637              | 105,000                                  | 255,000             | 360,000             |
| 2028 - 2032 | 1,535,000                            | 1,107,804           | 2,642,804            | 85,000                                   | 275,000             | 360,000             |
| 2033 - 2037 | 2,200,000                            | 909,930             | 3,109,930            | -  | -                   | -                   |
| 2038 - 2042 | 2,595,000                            | 617,022             | 3,212,022            | -  | -                   | -                   |
| 2043 - 2047 | 2,775,000                            | 227,512             | 3,002,512            | -  | -                   | -                   |
| Total       | <u>\$ 9,105,000</u>                  | <u>\$ 4,010,453</u> | <u>\$ 13,115,453</u> | <u>\$ 705,000</u>                        | <u>\$ 1,105,000</u> | <u>\$ 1,810,000</u> |

*Refunding Bonds, Series 2020B:* On September 9, 2020, the District issued \$3,175,000 in Series 2020B refunding bonds to advance refund \$2,925,000 of the Series 2014B construction bonds. These bonds are LTGO, which is unvoted general obligation debt of the District, for which its full faith and credit is pledged for repayment. The bonds are paid from the bond retirement fund, a nonmajor governmental fund.

The original refunding issue is comprised of current interest serial bonds, par value \$2,925,000. The interest rates range from 0.504% to 2.530%. Interest payments are due on January 15 and July 15 of each year. The final stated maturity is July 15, 2037.

The net present value savings of the refunding was \$152,999. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded bonds, which have a balance of \$2,925,000, were not included in the District's outstanding debt obligations since the District has in-substance satisfied its obligations through the advance refunding. \$3,115,562 was paid to the refunding escrow agent in fiscal year 2021 as part of the refunding transaction.

Interest payments on the current interest serial and term bonds are due on January 15 and July 15 of each year. The final stated maturity is July 15, 2037.

Future debt service payments are as follows:

| Fiscal Year | Current Interest Bonds, Series 2020B |                   |                     |
|-------------|--------------------------------------|-------------------|---------------------|
|             | Principal                            | Interest          | Total               |
| 2023        | \$ 185,000                           | \$ 57,616         | \$ 242,616          |
| 2024        | 190,000                              | 56,123            | 246,123             |
| 2025        | 190,000                              | 54,233            | 244,233             |
| 2026        | 190,000                              | 52,057            | 242,057             |
| 2027        | 195,000                              | 49,477            | 244,477             |
| 2028 - 2032 | 1,025,000                            | 196,033           | 1,221,033           |
| 2033 - 2037 | 1,130,000                            | 82,987            | 1,212,987           |
| Total       | <u>\$ 3,105,000</u>                  | <u>\$ 548,526</u> | <u>\$ 3,653,526</u> |



**NORTHWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Certificates of Participation, Series 2014: On October 21, 2014, the District issued \$12,195,000 in certificates of participation (“COPs”) to finance the acquisition, construction, installation and improvement of District facilities. The COPs bear interest rates ranging from 1.00% to 5.00%. Interest payments on the COPs were due on January 15 and July 15 of each year. The final maturity stated in the original issue was July 15, 2044. Principal and interest payments were made from the permanent improvement fund. The Series 2014 COPS were fully retired during fiscal year 2022 from the permanent improvement fund.

On March 16, 2021, the District advanced refunded \$10,575,000 of callable Series 2014 COPs through the issuance of \$11,610,000 Series 2021 refunding COPs.

The COPs were not a general obligation of the District and were payable only from appropriations by the District for annual lease payments.

Refunding Certificates of Participation, Series 2021: On March 16, 2021, the District issued \$11,610,000 in refunding COPs to finance the advance refunding of the Series 2014 COPs. The COPs bear interest rates ranging from .0363% to 3.436%. Interest payments on the COPs are due on January 15 and July 15 of each year. The final maturity stated in the issue is July 15, 2044. Principal and interest payments will be made from the permanent improvement fund and the general fund.

The net present value savings of the refunding was \$336,765. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded COPs, which have a balance of \$10,575,000, were not included in the District’s outstanding debt obligations since the District has in-substance satisfied its obligations through the advance refunding. \$11,392,495 was paid to the refunding escrow agent in fiscal year 2022 as part of the refunding transaction.

The District entered into an amended and restated lease agreement dated March 16, 2021, which amended and restated the terms of the original lease dated October 21, 2014 in connection with the issuance of the 2021 refunding COPs. The amended and restated lease consists of renewable one-year (or partial) lease terms, which terminates on July 15, 2047. The District makes rental payments which will pay for the debt service requirements on the COPs. Buckeye Leasing Services, the lessor, assigned to U.S. Bank National Association all of its rights, title, and interests under the amended and restated ground lease, dated March 16, 2021.

The obligation of the District under the amended and restated lease and any subsequent lease renewal is subject to the annual appropriation of the rental payments. Legal title to the facilities remains with the Trustee until all payments required under the lease have been made. At that time, title will be transferred to the District. In the event no appropriations or insufficient appropriations are made for any renewal period with respect to payment of base rent due during a lease term, the District will immediately notify the lessor. On the last day of the lease term which immediately precedes the renewal period for which no appropriations are made, the lease shall terminate. In the event of such termination without reinstatement, the lessor will have all legal and equitable rights and remedies to take possession of the property and relet the property.

The COPs are not a general obligation of the District and are payable only from appropriations by the District for annual lease payments.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the COPs, Series 2021 at June 30, 2022, are as follows:

| Fiscal<br>Year | Refunding COPS, Series 2021 |                     |                      |
|----------------|-----------------------------|---------------------|----------------------|
|                | Principal                   | Interest            | Total                |
| 2023           | \$ 350,000                  | \$ 301,983          | \$ 651,983           |
| 2024           | 450,000                     | 299,635             | 749,635              |
| 2025           | 450,000                     | 295,661             | 745,661              |
| 2026           | 440,000                     | 290,446             | 730,446              |
| 2027           | 445,000                     | 284,466             | 729,466              |
| 2028 - 2032    | 2,355,000                   | 1,292,155           | 3,647,155            |
| 2033 - 2037    | 2,655,000                   | 994,439             | 3,649,439            |
| 2038 - 2042    | 3,080,000                   | 559,035             | 3,639,035            |
| 2043 - 2044    | 1,385,000                   | 71,812              | 1,456,812            |
| Total          | <u>\$ 11,610,000</u>        | <u>\$ 4,389,632</u> | <u>\$ 15,999,632</u> |

Legal Debt Margin: The District's overall debt margin was \$2,135,845 with an unvoted debt margin of \$133,888 at June 30, 2022.

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a "special needs" district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The District was determined to be a "special needs" district by the State Superintendent.

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in the Ohio School Plan, an insurance purchasing pool, as described in Note 2.A.

During fiscal year 2022, the District purchased the following coverage:

|                                    |               |
|------------------------------------|---------------|
| Property damage per occurrence     | \$ 70,164,408 |
| Automobile liability               | 2,000,000     |
| General school district liability: |               |
| Per occurrence                     | 2,000,000     |
| Total per year                     | 4,000,000     |

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

The District participates in the Wood County Schools Benefit Plan Association (the "Association"), a public entity shared risk pool, for employee medical and dental benefits and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These memberships are described in Note 2.A.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Net OPEB Liability/Asset***

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

The net pension/OPEB liability (asset) 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.

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

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

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

Plan Description - The 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](http://www.ohsers.org) under Employers/Audit Resources.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                              | Eligible to<br>Retire after<br>August 1, 2017  |
|------------------------------|---|--|
| Full benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% 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% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District’s contractually required contribution to SERS was \$221,352 for fiscal year 2022.

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

Plan Description - Licensed teachers participate in STRS, 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 website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) 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% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% 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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$724,077 for fiscal year 2022.

***Net Pension Liability***

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Following is information related to the proportionate share and pension expense:

|  | SERS               | STRS               | Total        |
|--|--------------------|--------------------|--------------|
| Proportion of the net pension liability prior measurement date   | 0.04472270%        | 0.04034041%        |              |
| Proportion of the net pension liability current measurement date | <u>0.04738120%</u> | <u>0.04084585%</u> |              |
| Change in proportionate share                                    | <u>0.00265850%</u> | <u>0.00050544%</u> |              |
| Proportionate share of the net pension liability                 | \$ 1,748,229       | \$ 5,222,509       | \$ 6,970,738 |

***Actuarial Assumptions - SERS***

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

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

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

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**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared with June 30, 2020, are presented below:

|   |   |
|---|---|
| Inflation:                                    |   |
| Current measurement date                      | 2.40%   |
| Prior measurement date                        | 3.00%   |
| Future salary increases, including inflation: |   |
| Current measurement date                      | 3.25% to 13.58%   |
| Prior measurement date                        | 3.50% to 18.20%   |
| COLA or ad hoc COLA:                          |   |
| Current measurement date                      | 2%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement |
| Prior measurement date                        | 2.50%   |
| Investment rate of return:                    |   |
| Current measurement date                      | 7.00% net of system expenses  |
| Prior measurement date                        | 7.50% net of investment expense, including inflation  |
| Actuarial cost method                         | Entry age normal (level percent of payroll)   |

In 2021, 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% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

| Asset Class                 | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash                        | 2.00 %               | (0.33) %                                  |
| US Equity                   | 24.75                | 5.72                                      |
| Non-US Equity Developed     | 13.50                | 6.55                                      |
| Non-US Equity Emerging      | 6.75                 | 8.54                                      |
| Fixed Income/Global Bonds   | 19.00                | 1.14                                      |
| Private Equity              | 11.00                | 10.03                                     |
| Real Estate/Real Assets     | 16.00                | 5.41                                      |
| Multi-Asset Strategy        | 4.00                 | 3.47                                      |
| Private Debt/Private Credit | 3.00                 | 5.28                                      |
| Total                       | <u>100.00 %</u>      |   |

**Discount Rate** - The total pension liability for 2021 was calculated using the discount rate of 7.00%. The Discount rate for 2020 was 7.50%. 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%). 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 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%, 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%), or one percentage point higher (8.00%) than the current rate.

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase |
|--|--------------|--------------------------|-------------|
| District's proportionate share<br>of the net pension liability | \$ 2,908,623 | \$ 1,748,229             | \$ 769,617  |

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2021 actuarial valuation, compared to those used in the June 30, 2021, actuarial valuation are presented below:

|                                      | June 30, 2021   | June 30, 2020   |
|--------------------------------------|---|---|
| Inflation                            | 2.50%   | 2.50%   |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.00%, net of investment<br>expenses, including inflation | 7.45%, net of investment<br>expenses, including inflation |
| Discount rate of return              | 7.00%   | 7.45%   |
| Payroll increases                    | 3.00%   | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.00%   | 0.00%   |



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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' 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% as of June 30, 2021, and was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. 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 Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table represents the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

|   | Current            |                      |                    |
|---|--------------------|----------------------|--------------------|
|   | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
| District's proportionate share of the net pension liability | \$ 9,779,804       | \$ 5,222,509         | \$ 1,371,604       |

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

*Social Security System* - Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2022, three of the Board of Education members have elected Social Security.

**NOTE 11 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability/Asset*

See Note 10 for a description of the net OPEB liability (asset).

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

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$4,693.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$4,693 for fiscal year 2022.

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

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability/Asset***

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

Following is information related to the proportionate share:

|   | SERS               | STRS               | Total        |
|---|--------------------|--------------------|--------------|
| Proportion of the net OPEB liability/asset prior measurement date   | 0.04679710%        | 0.04034041%        |              |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.04869050%</u> | <u>0.04084585%</u> |              |
| Change in proportionate share                                       | <u>0.00189340%</u> | <u>0.00050544%</u> |              |
| Proportionate share of the net OPEB liability                       | \$ 921,508         | \$ -               | \$ 921,508   |
| Proportionate share of the net OPEB asset                           | \$ -               | \$ (861,201)       | \$ (861,201) |

***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.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented below:

|  |   |
|--|---|
| Inflation:   |   |
| Current measurement date   | 2.40%   |
| Prior measurement date   | 3.00%   |
| Future salary increases, including inflation:  |   |
| Current measurement date   | 3.25% to 13.58%   |
| Prior measurement date   | 3.50% to 18.20%   |
| Investment rate of return:   |   |
| Current measurement date   | 7.00% net of investment<br>expense, including inflation |
| Prior measurement date   | 7.50% net of investment<br>expense, including inflation |
| Municipal bond index rate:   |   |
| Current measurement date   | 1.92%   |
| Prior measurement date   | 2.45%   |
| Single equivalent interest rate, net of plan investment expense,<br>including price inflation: |   |
| Current measurement date   | 2.27%   |
| Prior measurement date   | 2.63%   |
| Medical trend assumption:  |   |
| Current measurement date   |   |
| Medicare   | 5.125 to 4.400%   |
| Pre-Medicare   | 6.750 to 4.400%   |
| Prior measurement date   |   |
| Medicare   | 5.25 to 4.75%   |
| Pre-Medicare   | 7.00 to 4.75%   |

In 2021, 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% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 1110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020 and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

| Asset Class                 | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash                        | 2.00 %               | (0.33) %                                  |
| US Equity                   | 24.75                | 5.72                                      |
| Non-US Equity Developed     | 13.50                | 6.55                                      |
| Non-US Equity Emerging      | 6.75                 | 8.54                                      |
| Fixed Income/Global Bonds   | 19.00                | 1.14                                      |
| Private Equity              | 11.00                | 10.03                                     |
| Real Estate/Real Assets     | 16.00                | 5.41                                      |
| Multi-Asset Strategy        | 4.00                 | 3.47                                      |
| Private Debt/Private Credit | 3.00                 | 5.28                                      |
| Total                       | <u>100.00 %</u>      |   |

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63%. 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% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase |
|--|--------------|--------------------------|-------------|
| District's proportionate share of the net OPEB liability | \$ 1,141,859 | \$ 921,508               | \$ 745,475  |

|  | 1% Decrease | Current<br>Trend Rate | 1% Increase  |
|--|-------------|-----------------------|--------------|
| District's proportionate share of the net OPEB liability | \$ 709,485  | \$ 921,508            | \$ 1,204,704 |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below:

|                            | June 30, 2021   |          | June 30, 2020   |          |
|----------------------------|---|----------|---|----------|
| Projected salary increases | 12.50% at age 20 to<br>2.50% at age 65                    |          | 12.50% at age 20 to<br>2.50% at age 65                    |          |
| Investment rate of return  | 7.00%, net of investment<br>expenses, including inflation |          | 7.45%, net of investment<br>expenses, including inflation |          |
| Payroll increases          | 3.00%   |          | 3.00%   |          |
| Discount rate of return    | 7.00%   |          | 7.45%   |          |
| Health care cost trends    |   |          |   |          |
|                            | Initial   | Ultimate | Initial   | Ultimate |
| Medical                    |   |          |   |          |
| Pre-Medicare               | 5.00%   | 4.00%    | 5.00%   | 4.00%    |
| Medicare                   | -16.18%   | 4.00%    | -6.69%  | 4.00%    |
| Prescription Drug          |   |          |   |          |
| Pre-Medicare               | 6.50%   | 4.00%    | 6.50%   | 4.00%    |
| Medicare                   | 29.98%  | 4.00%    | 11.87%  | 4.00%    |

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

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, 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%) or one percentage point higher (8.00%) 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<br>Discount Rate | 1% Increase |
|--|---|--------------------------|-------------|
|  | District's proportionate share<br>of the net OPEB asset | \$ 726,721               | \$ 861,201  |

|  | 1% Decrease   | Current<br>Trend Rate | 1% Increase |
|--|---|-----------------------|-------------|
|  | District's proportionate share<br>of the net OPEB asset | \$ 968,988            | \$ 861,201  |

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Changes Between the Measurement Date and the Reporting date in February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 284 days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of seventy five days for certified and classified employees.

**B. Health Care Benefits**

The District provides medical and dental insurance to all employees through the Wood County Schools Benefit Plan Association. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. The District also offers life insurance to all employees through the Fort Dearborn/Dearborn Life Insurance Company at no cost to the employee.

**NOTE 13 - INTERFUND TRANSACTIONS**

- A. The general fund transferred \$553,246 to the bond retirement nonmajor debt service fund during fiscal year 2022. Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.
- B. The district managed student activities nonmajor special revenue fund advanced \$22 to the general fund during fiscal year 2022. The advance was a partial repayment of a \$7,677 advance made from the general fund to the district managed student activities nonmajor special revenue fund in fiscal year 2021. The advance will be repaid once the anticipated revenues are received. Interfund advances between funds are eliminated on the government-wide financial statements.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2022, if applicable, cannot be determined at this time.

**B. Litigation**

The District is not party to legal proceedings that would have a material effect, if any, on the financial condition of the District.



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 14 - CONTINGENCIES - (Continued)**

**C. Foundation Funding**

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized adjustments for fiscal year 2022. As a result, the impact of the adjustments on the fiscal year 2022 financial statements resulted in a receivable to the District in the amount of \$6,712, which has since been received.

**NOTE 15 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

|   | <u>Capital<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2021             | \$ -                            |
| Current year set-aside requirement          | 175,751                         |
| Current year offsets                        | <u>(175,751)</u>                |
| Total                                       | <u>\$ -</u>                     |
| Balance carried forward to fiscal year 2023 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2022             | <u>\$ -</u>                     |

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Disbursements and Change in Fund Balance - Budget and Actual - Budgetary Basis presented 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 budgetary basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement, as opposed to assigned fund balance (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

**Net Change in Fund Balance**

|                             | <u>General fund</u> |
|-----------------------------|---------------------|
| Budget basis                | \$ 548,044          |
| Funds budgeted elsewhere    | (41,441)            |
| Adjustment for encumbrances | 335,509             |
| Cash basis                  | \$ 842,112          |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the band instrument fund, uniform school supplies fund, public school support fund, Northwood bus fund, iPad insurance fund and special enterprise WSOS Program; and insurance and other benefits escrow fund.

**NOTE 17 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u>           | <u>Year-End<br/>Encumbrances</u> |
|-----------------------|----------------------------------|
| General               | \$ 336,789                       |
| Permanent improvement | 14,848                           |
| Nonmajor governmental | 34,815                           |
| Total                 | \$ 386,452                       |

**NOTE 18 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2022, the District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY

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

| FEDERAL GRANTOR<br><i>Pass Through Grantor</i><br>Program / Cluster Title | Federal<br>AL<br>Number | Pass Through<br>Entity Identifying<br>Number | Total Federal<br>Expenditures |
|---|-------------------------|--|-------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                     |                         |  |                               |
| <i>Passed Through Ohio Department of Education</i>                        |                         |  |                               |
| <b><u>Child Nutrition Cluster:</u></b>                                    |                         |  |                               |
| School Breakfast Program  |                         |  |                               |
| School Breakfast Program  | 10.553                  | 2022   | \$110,223                     |
| National School Lunch Program   |                         |  |                               |
| COVID-19 Cash Assistance  | 10.555                  | 2022   | 1,249                         |
| Cash Assistance   | 10.555                  | 2021   | 17                            |
| Cash Assistance   | 10.555                  | 2022   | 376,237                       |
| Non-Cash Assistance (Commodities)   | 10.555                  | 2022   | 25,803                        |
| Total National School Lunch Program                                       |                         |  | 403,306                       |
| Summer Food Program   |                         |  |                               |
| Summer Food Program   | 10.559                  | 2021   | 47,307                        |
| Summer Food Program   | 10.559                  | 2022   | 51,815                        |
| Total Summer Food Program   |                         |  | 99,122                        |
| Total Child Nutrition Cluster   |                         |  | 612,651                       |
| COVID-19 Pandemic EBT Administrative Costs                                | 10.649                  | 2022   | 614                           |
| Total U.S. Department of Agriculture                                      |                         |  | 613,265                       |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                       |                         |  |                               |
| <i>Passed Through Ohio Department of Education</i>                        |                         |  |                               |
| Title I Grants to Local Educational Agencies                              | 84.010A                 | 2022   | 111,034                       |
| Title I Grants to Local Educational Agencies - Expanding Opportunity      | 84.010A                 | 2022   | 3,746                         |
| Title I Grants to Local Educational Agencies - Non-competitive            | 84.010A                 | 2022   | 20,025                        |
| Total Title I Grants to Local Educational Agencies                        |                         |  | 134,805                       |
| <b><u>Special Education Cluster:</u></b>                                  |                         |  |                               |
| Special Education Grants to States  | 84.027A                 | 2021   | 10,971                        |
| Special Education Grants to States  | 84.027A                 | 2022   | 200,106                       |
| Total Special Education Cluster:  |                         |  | 211,077                       |
| Supporting Effective Instruction State Grants                             | 84.367A                 | 2021   | 3,247                         |
| Supporting Effective Instruction State Grants                             | 84.367A                 | 2022   | 20,544                        |
| Total Supporting Effective Instruction State Grants                       |                         |  | 23,791                        |
| Student Support and Academic Enrichment Program                           | 84.424A                 | 2021   | 8,948                         |
| COVID-19 Education Stabilization Fund                                     | 84.425D                 | 2022   | 259,898                       |
| COVID-19 Education Stabilization Fund                                     | 84.425U                 | 2022   | 279,056                       |
| Total COVID-19 Education Stabilization Fund                               |                         |  | 538,954                       |
| Total U.S. Department of Education  |                         |  | 917,575                       |
| <b>U.S. DEPARTMENT OF TREASURY</b>  |                         |  |                               |
| <i>Passed Through Ohio Office of Budget and Management</i>                |                         |  |                               |
| COVID-19 Coronavirus Relief Fund - Broadband Ohio Connectivity            | 21.019                  | 2022   | 598                           |
| Total U.S. Department of Treasury   |                         |  | 598                           |
| <b>FEDERAL COMMUNICATIONS COMMISSION</b>                                  |                         |  |                               |
| <i>Direct Program</i>   |                         |  |                               |
| COVID-19 Emergency Connectivity Fund Program                              | 32.009                  | 2022   | 12,711                        |
| Total Federal Communications Commission                                   |                         |  | 12,711                        |
| <b>Total Expenditures of Federal Awards</b>                               |                         |  | <b>\$1,544,149</b>            |

The accompanying notes are an integral part of this schedule.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Northwood Local School District, Wood County, Ohio (the District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position 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 programs that benefitted from the use of those donated food commodities.

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

**NOTE F – TRANSFERS BETWEEN PROGRAM YEARS**

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

| <u><b>Program Title</b></u>  | <u><b>AL Number</b></u> | <u><b>Amt.<br/>Transferred</b></u> |
|--|-------------------------|------------------------------------|
| Title I Grants to Local Educational Agencies Non-Competitive Supplemental School Improvement | 84.010A                 | \$ 28,255                          |
| Title I Grants to Local Educational Agencies   | 84.010A                 | 751                                |
| Supporting Effective Instruction State Grants  | 84.367A                 | 176                                |
| Student Support and Academic Enrichment Program  | 84.424A                 | 831                                |
| COVID-19 Educational Stabilization Fund (ARP ESSER)  | 84.425U                 | 570,664                            |
| COVID-19 Educational Stabilization Fund (ESSER II)   | 84.425D                 | 104,735                            |
| COVID-19 Special Education Grants to States  | 84.027X                 | 46,174                             |
| COVID-19 Early Childhood Special Education   | 84.173X                 | 3,418                              |
| School Breakfast Program   | 10.553                  | 46,120                             |
| National School Lunch Program  | 10.555                  | 157,425                            |
| Summer Food Services Program   | 10.559                  | 21,680                             |

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

Northwood Local School District  
Wood County  
700 Lemoyne Road  
Northwood, Ohio 43619-1812

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwood Local School District, Wood County, Ohio, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 22, 2023 wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

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

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2022-001 and 2022-002.

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

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

June 22, 2023





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

Northwood Local School District  
Wood County  
700 Lemoyne Road  
Northwood, Ohio 43619-1812

To the Board of Education:

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

***Opinion on Each Major Federal Program***

We have audited Northwood Local School District, Wood County, Ohio's, (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 each of Northwood Local School District's major federal programs for the year ended June 30, 2022. Northwood Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

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

***Basis for Opinion on Each 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 each 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 each major federal program as a whole.

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

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

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

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

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

June 22, 2023

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**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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

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

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>      | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>                    | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | COVID-19 Education Stabilization Fund – AL #84.425<br>Special Education Cluster |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others                                      |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee under 2 CFR § 200.520?</b>  | No  |

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

**FINDING NUMBER 2022-001**

**Noncompliance**

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

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

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

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

**Officials' Response:**

See corrective action plan.

**FINDING NUMBER 2022-002**

**Noncompliance**

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

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

The District had the following negative fund balances after taking into consideration the conditions above:

- The Bond Retirement fund, had a deficit fund balance of \$89,059 at June 30, 2022. This is funded by property tax proceeds and related homestead/rollback receipts. Funds were not available to advance to the District to cover this negative balance until July 15, 2022. The District has no control over when these funds are advanced.

- The FY22 BWC grant, had a deficit fund balance of \$17,434 at June 30, 2022. The District has no control over when these funds are reimbursed to the District.
- The District had four funds (ARP ESSER, IDEA-B FY22, Title IV, and Title II-A FY22) with negative balances at June 30, 2022, totaling \$85,632. One or more of the conditions in Ohio Rev. Code § 3315.20 has not been met for these funds. For each of these funds, no project cash request (PCR) was filed at or near year-end with the state requesting the negative balance be covered. Although the unencumbered fund balance in the General Fund was sufficient to cover these negative balances, the District did not meet the required criteria to carry a deficit in a special fund pursuant to Ohio Revised Code § 3315.20.

Negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure(s) and control(s), such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers from the General Fund could be made to these funds or appropriations modified to prevent the negative cash balances.

The District should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

**Officials' Response:**

See corrective action plan.

|                                       |
|---------------------------------------|
| <b>3. FINDINGS FOR FEDERAL AWARDS</b> |
|---------------------------------------|

None.

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# Northwood Local Schools

Home of the Rangers

“Excellence in Education”

Board of Education 700 Lemoyne Road Northwood, Ohio 43619 419-691-3888

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2022**

| <b>Finding Number</b> | <b>Finding Summary</b>   | <b>Status</b>  | <b>Additional Information</b>   |
|-----------------------|--|--|---|
| 2021-001              | Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B), for not reporting financial statements on a Generally Accepted Accounting Principles (GAAP) basis. Finding first reported in 2012. | Not corrected and reissued as Finding 2022-001 in this report. | As one of the many cost cutting items identified, the Board agreed with the Treasurer’s recommendation to suspend the preparation and compilation of the traditional GAAP reports due to its high cost versus the limited value and usage of these reports. |





# Northwood Local Schools

Home of the Rangers

“Excellence in Education”

NORTHWOOD  
LOCAL SCHOOLS

Board of Education

700 Lemoyne Road

Northwood, Ohio 43619

419-691-3888

## CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

JUNE 30, 2022

|                                     |   |
|-------------------------------------|---|
| <b>Finding Number:</b>              | 2022-001  |
| <b>Planned Corrective Action:</b>   | As one of the many cost cutting items identified, the Board agreed with the Treasurer’s recommendation to suspend the preparation and compilation of the traditional GAAP reports due to its high cost versus the limited value and usage of these reports.   |
| <b>Anticipated Completion Date:</b> | N/A   |
| <b>Responsible Contact Person:</b>  | Angel Adamski, Treasurer  |
| <br>                                |   |
| <b>Number:</b>                      | 2022-002  |
| <b>Planned Corrective Action:</b>   | Unfortunately, the end of fiscal year 2022 saw several late invoices when it came to grant expenses. At the time of the expenses, it was too late to enter a cash request for the mentioned funds. With the general fund having more than enough funds available to cover said expenses it was determined that it was best to book the expense as it occurred in the fiscal year for reasons including Maintenance of Effort, and actual occurrence of expense happening in the said fiscal year. |
| <b>Anticipated Completion Date:</b> | June 30, 2023   |
| <b>Responsible Contact Person:</b>  | Angel Adamski, Treasurer  |



# OHIO AUDITOR OF STATE KEITH FABER



**NORTHWOOD LOCAL SCHOOL DISTRICT**

**WOOD COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 7/6/2023**

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

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