



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2023**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Southwest Licking Local School District
Licking County
927-A South Street
Pataskala, Ohio 43062

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in modified cash-basis financial position thereof and the comparison for the General for the year then ended in accordance with the modified 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 modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified 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 them.

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 April 22, 2024, 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

April 22, 2024

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SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (UNAUDITED)

As management of the Southwest Licking Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

- Net position of governmental activities increased \$982,738 during the fiscal year.
- The District's general receipts are primarily property taxes, income taxes, and intergovernmental aid. These receipts represent 37.0 percent, 11.8 percent, and 26.9 percent of the total cash received, respectively, for governmental activities during the year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$37.1 million, or 97.0 percent of total General Fund fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements. The Statement of Net Position – Modified Cash Basis presents the cash balances and investments of the governmental activities of the District at year end.

The Statement of Activities – Modified Cash Basis compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

Governmental Funds

The governmental fund financial statements provide a detailed view of the District’s governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District’s programs. The District’s significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District’s major governmental funds were the General Fund, Building Fund, and Classroom Facilities Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The District adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the Basic 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.

Government-wide Financial Analysis

An analysis of fiscal year 2023 in comparison with fiscal year 2022 follows for the Statement of Net Position – Modified Cash Basis:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Cash and Cash Equivalents and Investments	\$ 89,279,920	\$ 88,297,182	1.11%
Total Assets	<u>89,279,920</u>	<u>88,297,182</u>	1.11%
Restricted for:			
Debt Service	3,445,929	3,671,755	-6.15%
Capital Outlay	38,341,798	41,706,345	-8.07%
Permanent Improvements	1,399,861	3,168,439	-55.82%
State and Federal Grants	1,001,372	735,166	36.21%
Food Service	2,293,881	1,707,561	34.34%
Extracurricular Activities	504,403	381,094	32.36%
Classroom Facilities Maintenance	1,655,000	1,412,265	17.19%
Other Purposes	26,595	57,231	-53.53%
Unrestricted	<u>40,611,081</u>	<u>35,457,326</u>	14.54%
Total Net Position	<u>\$ 89,279,920</u>	<u>\$ 88,297,182</u>	1.11%

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

Government-wide Financial Analysis (continued)

As mentioned previously, net position of governmental activities increased in comparison with the prior year.

A significant portion of the District’s net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District’s ongoing obligations to citizens and creditors.

An analysis of fiscal year 2023 in comparison with fiscal year 2022 follows for the Statement of Activities – Modified Cash Basis:

	<u>2023</u>	<u>2022</u>
Program Receipts		
Charges for Services	\$ 2,477,457	\$ 1,325,563
Operating Grants	5,720,548	7,939,427
Capital Contributions	6,803,150	6,098,399
General Receipts		
Property Taxes	28,324,116	27,932,437
Income Taxes	9,007,057	7,748,085
Grants and Entitlements	20,571,899	18,433,205
Payments in Lieu of Taxes	1,420,433	1,544,515
Sale of Bonds	-	25,021,959
Sale of Capital Assets	11,719	9,078
Investment Earnings	1,607,959	325,813
Insurance Recoveries	16,039	4,150
Miscellaneous	573,374	562,141
Total Receipts	<u>76,533,751</u>	<u>96,944,772</u>
Program Disbursements		
Instructional	29,974,434	28,274,652
Support Services	20,594,552	19,363,679
Non-instructional	2,494,929	2,234,368
Extra Curricular Activities	5,538,279	1,938,425
Capital Outlay	10,569,936	32,096,426
Principal Payments	2,690,000	3,455,000
Interest and Fiscal Charges	3,688,883	3,466,167
Bond Issuance Costs	-	438,202
Total Disbursements	<u>75,551,013</u>	<u>91,266,919</u>
Change in Net Position	<u>982,738</u>	<u>5,677,853</u>
Net Position at Beginning of Year	88,297,182	82,619,329
Net Position at End of Year	<u>\$ 89,279,920</u>	<u>\$ 88,297,182</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

Government-wide Financial Analysis (continued)

Charges for Services increased significantly and Operating grants decreased significantly in comparison with the prior fiscal year. These fluctuations are primarily the result of a decrease in intergovernmental revenues related to food service operations.

Investment earnings increased significantly in comparison with the prior fiscal year. This increase is the result of an increase in investments from unspent debt proceeds.

Capital outlay disbursements decreased significantly in comparison with the prior fiscal year. This decrease is also the result of the OFCC Project winding down.

Extracurricular Activities disbursements increased significantly during the fiscal year. This increase is due to the district building six tennis courts, two softball fields, and a baseball field.

Sale of Bonds decreased in comparison with the prior fiscal year. This decrease is the result of no new debt this year compared to new debt in the prior year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

Financial Analysis of the District’s Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

An analysis of fiscal year 2023 in comparison with fiscal year 2022 follows:

<u>Fund:</u>	As of		<u>Change</u>
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	
General Fund	\$ 38,220,652	\$ 33,064,556	15.59%
Building Fund	25,772,706	30,317,496	-14.99%
Classroom Facilities Fund	12,569,092	11,388,849	10.36%
Other Governmental Funds	12,717,470	13,526,281	-5.98%
Total Fund Balance	<u>\$ 89,279,920</u>	<u>\$ 88,297,182</u>	<u>1.11%</u>

The fund balance of the General Fund increased during the fiscal year. General Fund receipts increased during the fiscal year, primarily as a result of an increase in property taxes, and income tax receipts. General Fund disbursements increased as well during the fiscal year. The increase was primarily due to extracurricular activity disbursements relating to the District adding tennis courts and softball fields.

The Building Fund decreased significantly during the fiscal year. This decrease represents the amount in which capital outlay exceeded investment earnings.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (UNAUDITED)

The Classroom Facilities Fund increased during the fiscal year. This increase is due to a decrease in capital outlay disbursements and an increase in intergovernmental receipts.

General Fund Budget Information

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

Final estimated resources exceeded original estimated resources while final appropriations were less than original appropriations.

Actual receipts and other financing sources exceeded the final receipts and other financing sources estimate, primarily as a result of greater than expected investment income and intergovernmental receipts. Final appropriations exceeded actual expenditures and other financing uses as a result of conservative spending.

Capital Assets

The District is not required to disclose capital assets on the modified cash basis of accounting but has elected to do so in the note disclosures. At the end of the fiscal year, the District had an increase in comparison with the prior fiscal year. This increase represents the amount by which current year additions exceeded depreciation expense and net disposals. Detailed information regarding capital asset activity can be found in the Note 10 to the basic financial statements.

Debt

At the end of the fiscal year, the District had a decrease from prior fiscal year. This decrease is due to principal payments made throughout the year.

Detailed information regarding long-term obligations can be found in Note 11 to the basic financial statements. At fiscal year-end, the District was not subject to state consents/special needs approval due to its participation in a Commission program and qualifying for an exception to the approval requirements.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information you may contact Richard D. Jones, Treasurer/CFO, Southwest Licking Local School District, 927-A South Street, Pataskala, Ohio 43062 or E-Mail at rdjones@laca.org.

Southwest Licking Local School District
Licking County, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2023

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 56,339,996
Restricted Cash and Cash Equivalents	19,571
Cash and Cash Equivalents in Segregated Accounts	1,936
Investments	32,918,417
<i>Total Assets</i>	\$ 89,279,920
 Net Position	
Restricted for:	
Capital Outlay	\$ 38,341,798
Debt Service	3,445,929
Other Purposes	26,595
Permanent Improvements	1,399,861
Food Services	2,293,881
State and Federal Grants	1,001,372
Extracurricular Activities	504,403
Classroom Facilities Maintenance	1,655,000
Unrestricted	40,611,081
<i>Total Net Position</i>	\$ 89,279,920

Southwest Licking Local School District
Licking County, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2023

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 20,398,057	\$ 661,470	\$ 557,038	\$ -	\$ (19,179,549)
Special	8,707,879	174,560	1,254,724	-	(7,278,595)
Vocational	604,370	-	-	-	(604,370)
Other	264,128	-	-	-	(264,128)
Support Services:					
Pupils	3,663,601	-	822,959	-	(2,840,642)
Instructional Staff	1,860,556	6,320	247,780	-	(1,606,456)
Board of Education	296,737	-	-	-	(296,737)
Administration	3,962,683	382	1,257	-	(3,961,044)
Fiscal	1,419,752	730	-	-	(1,419,022)
Business	86,821	650	-	-	(86,171)
Operation and Maintenance of Plant	4,587,370	2,910	88,708	-	(4,495,752)
Pupil Transportation	4,200,322	-	772,877	-	(3,427,445)
Central	516,710	276	-	-	(516,434)
Operation of Non-Instructional Services:					
Food Service Operations	1,786,690	1,081,352	1,289,275	-	583,937
Community Services	708,239	-	530,647	-	(177,592)
Other	-	-	95,701	-	95,701
Extracurricular Activities	5,538,279	548,807	59,582	-	(4,929,890)
Capital Outlay	10,569,936	-	-	6,803,150	(3,766,786)
Debt Service:					
Principal Retirement	2,690,000	-	-	-	(2,690,000)
Interest and Fiscal Charges	3,688,883	-	-	-	(3,688,883)
Totals	\$ 75,551,013	\$ 2,477,457	\$ 5,720,548	\$ 6,803,150	(60,549,858)
General Receipts					
Property Taxes Levied for:					
General Purposes					22,119,391
Debt Service					4,392,728
Capital Outlay					1,811,997
Income Taxes Levied for:					
General Purposes					9,007,057
Grants and Entitlements not Restricted to Specific Programs					20,571,899
Payments in Lieu of Taxes					1,420,433
Proceeds from Sale of Capital Assets					11,719
Insurance Recoveries					16,039
Investment Earnings					1,607,959
Miscellaneous					573,374
Total General Receipts					61,532,596
Change in Net Position					982,738
Net Position Beginning of Year					88,297,182
Net Position End of Year					\$ 89,279,920

Southwest Licking Local School District
Licking County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2023

	General	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 38,201,081	\$ 3,128,697	\$ 2,294,684	\$ 12,715,534	\$ 56,339,996
Restricted Cash and Cash Equivalents	19,571	-	-	-	19,571
Cash and Cash Equivalents in Segregated Accounts	-	-	-	1,936	1,936
Investments	-	22,644,009	10,274,408	-	32,918,417
<i>Total Assets</i>	<u>\$ 38,220,652</u>	<u>\$ 25,772,706</u>	<u>\$ 12,569,092</u>	<u>\$ 12,717,470</u>	<u>\$ 89,279,920</u>
Fund Balances					
Nonspendable	\$ 19,338	\$ -	\$ -	\$ -	\$ 19,338
Restricted	233	25,772,706	12,569,092	10,307,470	48,649,501
Committed	408,816	-	-	-	408,816
Assigned	722,695	-	-	2,410,000	3,132,695
Unassigned	37,069,570	-	-	-	37,069,570
<i>Total Fund Balances</i>	<u>\$ 38,220,652</u>	<u>\$ 25,772,706</u>	<u>\$ 12,569,092</u>	<u>\$ 12,717,470</u>	<u>\$ 89,279,920</u>

Southwest Licking Local School District
Licking County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 22,119,392	\$ -	\$ -	\$ 6,204,725	\$ 28,324,117
Income Taxes	9,007,057	-	-	-	9,007,057
Intergovernmental	20,225,355	-	6,803,150	5,902,038	32,930,543
Investment Income	1,029,380	158,499	360,454	140,590	1,688,923
Tuition and Fees	775,651	-	-	-	775,651
Extracurricular Activities	167,497	-	-	381,692	549,189
Gifts and Donations	35,730	-	-	48,359	84,089
Charges for Services	21,194	-	-	1,081,352	1,102,546
Payments in Lieu of Taxes	-	-	-	1,420,433	1,420,433
Rent	39,185	-	-	10,886	50,071
Miscellaneous	549,769	-	-	23,605	573,374
<i>Total Receipts</i>	<u>53,970,210</u>	<u>158,499</u>	<u>7,163,604</u>	<u>15,213,680</u>	<u>76,505,993</u>
Disbursements					
Current:					
Instruction:					
Regular	19,965,024	-	-	433,033	20,398,057
Special	7,464,892	-	-	1,242,987	8,707,879
Vocational	604,370	-	-	-	604,370
Other	169,275	-	-	94,853	264,128
Support Services:					
Pupils	2,860,223	-	-	803,378	3,663,601
Instructional Staff	1,311,099	-	-	549,457	1,860,556
Board of Education	296,737	-	-	-	296,737
Administration	3,961,475	-	-	1,208	3,962,683
Fiscal	1,316,676	2,442	3,892	96,742	1,419,752
Business	56,722	-	-	30,099	86,821
Operation and Maintenance of Plant	4,362,598	-	-	224,772	4,587,370
Pupil Transportation	3,603,905	-	-	596,417	4,200,322
Central	503,944	-	-	12,766	516,710
Extracurricular Activities	2,057,500	602,443	-	2,878,336	5,538,279
Operation of Non-Instructional Services:					
Food Service Operations	-	-	-	1,786,690	1,786,690
Community Services	8,056	-	-	700,183	708,239
Capital Outlay	284,669	4,224,495	5,979,469	81,303	10,569,936
Debt Service:					
Principal Retirement	-	-	-	2,690,000	2,690,000
Interest and Fiscal Charges	-	-	-	3,688,883	3,688,883
<i>Total Disbursements</i>	<u>48,827,165</u>	<u>4,829,380</u>	<u>5,983,361</u>	<u>15,911,107</u>	<u>75,551,013</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,143,045</u>	<u>(4,670,881)</u>	<u>1,180,243</u>	<u>(697,427)</u>	<u>954,980</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	11,644	-	-	75	11,719
Insurance Recoveries	16,039	-	-	-	16,039
Advances In	1,967	-	-	13,461	15,428
Advances Out	(13,461)	-	-	(1,967)	(15,428)
Transfers In	-	126,091	-	2,031,218	2,157,309
Transfers Out	(3,138)	-	-	(2,154,171)	(2,157,309)
<i>Total Other Financing Sources (Uses)</i>	<u>13,051</u>	<u>126,091</u>	<u>-</u>	<u>(111,384)</u>	<u>27,758</u>
<i>Net Change in Fund Balances</i>	5,156,096	(4,544,790)	1,180,243	(808,811)	982,738
<i>Fund Balances Beginning of Year</i>	<u>33,064,556</u>	<u>30,317,496</u>	<u>11,388,849</u>	<u>13,526,281</u>	<u>88,297,182</u>
<i>Fund Balances End of Year</i>	<u>\$ 38,220,652</u>	<u>\$ 25,772,706</u>	<u>\$ 12,569,092</u>	<u>\$ 12,717,470</u>	<u>\$ 89,279,920</u>

Southwest Licking Local School District
Licking County, Ohio
Statement of Receipts, Disbursements and Changes in
Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 19,940,308	\$ 22,119,392	\$ 22,119,392	\$ -
Income Taxes	7,604,767	9,007,057	9,007,057	-
Intergovernmental	18,339,478	19,981,289	20,225,355	244,066
Investment Income	235,536	801,000	1,027,664	226,664
Tuition and Fees	297,631	683,904	775,651	91,747
Extracurricular Activities	127,579	137,040	150,831	13,791
Gifts and Donations	38,447	17,714	18,216	502
Charges for Services	18,609	19,938	21,194	1,256
Rent	36,517	38,975	39,185	210
Miscellaneous	71,748	35,480	38,650	3,170
<i>Total Receipts</i>	<i>\$ 46,710,620</i>	<i>\$ 52,841,789</i>	<i>\$ 53,423,195</i>	<i>\$ 581,406</i>
Disbursements				
Instruction:				
Regular	\$ 20,425,801	\$ 20,201,429	\$ 19,975,985	\$ 225,444
Special	7,951,963	7,508,892	7,467,120	41,772
Vocational	767,426	755,972	630,394	125,578
Other	168,470	163,431	169,275	(5,844)
Support Services:				
Pupils	3,058,445	3,012,563	2,902,845	109,718
Instructional Staff	1,306,457	1,292,395	1,322,487	(30,092)
Board of Education	147,067	287,239	316,537	(29,298)
Administration	4,202,384	4,037,017	3,963,043	73,974
Fiscal	1,227,303	1,225,979	1,316,676	(90,697)
Business	62,092	62,511	56,722	5,789
Operation and Maintenance of Plant	4,511,685	4,628,090	4,474,437	153,653
Pupil Transportation	3,481,237	3,579,207	3,603,905	(24,698)
Central	370,912	502,805	507,557	(4,752)
Extracurricular Activities	2,504,061	2,194,319	2,427,134	(232,815)
Operation of Non-Instructional Services:				
Food Service Operations	4,576	4,576	-	4,576
Community Services	10,214	9,974	8,056	1,918
Capital Outlay	611,971	591,658	682,484	(90,826)
<i>Total Disbursements</i>	<i>\$ 50,812,064</i>	<i>\$ 50,058,057</i>	<i>\$ 49,824,657</i>	<i>\$ 233,400</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(4,101,444)</i>	<i>2,783,732</i>	<i>3,598,538</i>	<i>814,806</i>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	3,000	3,000	11,644	8,644
Refund of Prior Year Expenditures	300,000	278,400	471,492	193,092
Other Financing Uses	(25,000)	-	-	-
Insurance Recoveries	-	-	16,039	16,039
Advances In	-	-	599	599
Advances Out	-	-	(13,461)	(13,461)
Transfers In	600,000	570,277	642,429	72,152
Transfers Out	(570,277)	(570,277)	(642,429)	(72,152)
<i>Total Other Financing Sources (Uses)</i>	<i>307,723</i>	<i>281,400</i>	<i>486,313</i>	<i>204,913</i>
<i>Net Change in Fund Balance</i>	<i>(3,793,721)</i>	<i>3,065,132</i>	<i>4,084,851</i>	<i>1,019,719</i>
<i>Fund Balance Beginning of Year</i>	<i>32,699,915</i>	<i>32,699,915</i>	<i>32,699,915</i>	<i>-</i>
<i>Prior Year Encumbrances Appropriated</i>	<i>284,803</i>	<i>284,803</i>	<i>284,803</i>	<i>-</i>
<i>Fund Balance End of Year</i>	<i>\$ 29,190,997</i>	<i>\$ 36,049,850</i>	<i>\$ 37,069,569</i>	<i>\$ 1,019,719</i>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

The Southwest Licking 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 five member Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and federal guidelines.

The District was established in 1953 through the consolidation of existing land areas and school districts. The District serves an area of approximately 65 square miles. It is located in Licking County, and includes the City of Pataskala, the Village of Kirkersville, and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The District currently operates seven instructional buildings, one administrative building, and one support service building.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District 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.

The following activities are included within the reporting entity:

Private School – Liberty Christian Academy, a private school, operates within the District’s boundaries. Current state legislation provides funding to the private school. This money is received and disbursed on behalf of the private school by the Treasurer of the District, as directed by the private school in accordance with State rules and regulations. This activity is reflected in a special revenue fund in Other Governmental Funds for financial reporting purposes.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(a) Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position – Modified Cash Basis and a Statement of Activities – Modified Cash Basis, and fund financial statements – modified cash basis which provide a more detailed level of financial information.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities (the District has none), which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities – Modified Cash Basis compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the District's general receipts.

Fund Financial Statements

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

(b) 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. The funds of the District are governmental funds.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(b) Fund Accounting (Continued)

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions, such as governmental funds. The District only reports the following major governmental funds:

General Fund — The General Fund is the District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund — The Building Fund is used to account for monies received and expended in connection with the renovation and construction of District buildings.

Classroom Facilities Fund — The Classroom Facilities Fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

Other Governmental Funds of the District account for specific revenue sources that are restricted for specified purposes, and funds assigned by the District for capital projects. These funds are aggregated and shown in a single column on the financial statements.

Proprietary Funds – Proprietary funds consist of enterprise funds, which are used to report any activity for which a fee is charged to external users for goods or services, and internal service funds, which are used to allocate costs of centralized services. The District reports no proprietary funds.

Fiduciary Funds — Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District does not have fiduciary funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(c) Basis of Accounting

Although required by Ohio Administrative Code 117-2-03(B) to prepare its annual financial statements and notes in accordance with GAAP, the District chooses to prepare its financial statements using the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP. With the exception of investment purchases and sales, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the modified cash basis of accounting, certain assets and deferred outflows and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and deferred inflows 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.

(d) Budgetary Data

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, each of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. Although the legal level of control was established at the fund level of expenditures, the District has elected to present the budgetary statement comparison at the fund and function level of disbursements for the General Fund. Any budgetary modifications at the fund level may only be made by the Board of Education. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(e) Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "Cash and Cash Equivalents" on the financial statements. Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 2023, the District invested in STAR Ohio. 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 their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2023, 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. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2023, is 35 days and carries a rating of AAAM by S&P Global Ratings.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. These funds include the General Fund, Permanent Improvement Fund, Food Service, Public School Support, District Managed Student Activities and Auxiliary Services. In addition, interest earnings on Debt Service Fund investments are recorded entirely in the General Fund. Of the amount reported in the General Fund, approximately \$351,280 was assigned from other District funds.

(f) 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, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District's restricted assets consist of unclaimed funds.

(g) Inventory and Prepaid Items

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(h) Capital Assets and Depreciation

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Capital assets are defined as assets with an initial, individual cost of more than \$5,000. These items are not reflected as assets in the accompanying financial statements. Depreciation has not been reported for any capital assets.

Useful lives for capital assets are as follows:

Land Improvements	10 - 30
Buildings and Improvements	20 - 40
Furniture, Fixtures and Equipment	8 - 20
Vehicles	10

(i) Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District’s modified cash basis of accounting.

(j) 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 12 and 13, the employer contributions consist of pension and postretirement health care benefits.

(k) Long-Term Obligations

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

(l) Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net cash position is available. On the government-wide Statement of Net Position, none of the restricted net position is a result of enabling legislation. Net position restricted for other purposes primarily represents unclaimed funds.

(m) Fund Balances

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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 or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used for the specified purposes imposed by a formal action (resolution) of the District’s Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking the same 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 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’s Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted resources first when disbursements are incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

(n) Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the basic financial statements. Interfund activity between governmental funds is eliminated on the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(o) Pensions/Other Postemployment Benefits (OPEB)

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

(p) Subscription-Based Information Technology Arrangements (SBITA)

For fiscal year 2023, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The District is party to various SBITAs; however, liabilities are not reflected under the District’s modified cash basis of accounting. SBITA disbursements are recognized when they are paid.

NOTE 3 – COMPLIANCE

(a) Financial Statement Reporting

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred inflows, liabilities, deferred outflows, 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 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budget basis and modified cash basis is that encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (modified cash basis).

A reconciliation of the modified cash and budgetary statements of the General Fund is as follows:

Change in Fund Balance - Modified Cash Basis	\$	5,156,096
Public School Support Fund		(8,004)
Unclaimed Monies/Memorial Fund		(2,341)
Encumbrances		(1,060,900)
Change in Fund Balance- Budgetary Basis	\$	4,084,851

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation 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 fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 (STAR Ohio);
8. Certain banker's acceptance (for a period not to exceed one hundred eighty days) and commercial paper noted (for a period not to exceed two hundred seventy days) in amount not to exceed 40 percent of the interim monied available for investment at any one time if training requirements have been met.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the District’s bank balance, \$3,956,990 was covered by Federal Deposit Insurance Corporation (FDIC) and the remaining balance was uninsured and collateralized. The District’s financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

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

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

Investments

The fair value of these investments is not materially different than measurement value.

At fiscal year end, the District had the following investments:

Investment Type	Value	Percent of Total	Maturities		
			Within 1 Year	1 to 3 Years	Greater Than 3 Years
STAR Ohio	\$ 26,437,191	31%	\$ 26,437,191	-	-
Money Market Funds	154,051	0%	154,051	-	-
Commercial Paper	4,220,612	5%	4,220,612	-	-
Negotiable Certificate of Deposit	2,917,228	3%	1,982,501	245,016	689,711
Federal Agency Securities	22,253,783	26%	10,285,250	7,332,481	4,636,052
US Treasury Securities	29,770,305	34%	19,997,107	5,339,290	4,433,908
Municipal Bonds	530,000	1%	530,000	-	-
Total	\$ 86,283,170	100%	\$ 63,606,712	\$ 12,916,787	\$ 9,759,671

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Interest Rate Risk - The District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he does not reasonably believe can be held until the maturity date.

Credit Risk – At fiscal year-end, the District's investments in STAR Ohio, federal agency securities, US Treasury securities, commercial paper, money market funds, and municipal bonds were rated AAAm, AA+, AA+, A1, AAA, and AAA by Standard & Poor's, respectively. The District's negotiable certificates of deposit were not rated. The District has no investment policy that addresses credit risk.

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. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the fair value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The federal agency securities and commercial paper 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 credit 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 it may invest in any one issuer except for commercial paper. The Treasurer may not invest an amount that exceeds 10 percent of the outstanding commercial paper of the issuing entity. The District's investments in the categories of STAR Ohio, commercial paper, certificates of deposit, and federal agency securities exceeded 5 percent of the District's total investments.

NOTE 6 – INCOME TAXES

The District levies a voted continuing tax of .75 percent for general operations on the income of residents and of estates. The tax went into effect on February 15, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

NOTE 7 – TAX ABATEMENTS

Under Community Reinvestment Area (CRA) property tax abatement agreements entered into by Etna Township, the District's property tax revenues were reduced by \$3,926,058 during the fiscal year. If these property values were not abated, the property values would be included in the calculation of the District Local Wealth Per Pupil and could have had a negative impact on the amount of school foundation the school district receives. In connection with the District's approval of the CRA agreements, the District receives income tax sharing compensation from Etna Township through Joint Economic Development Zone (JEDZ) contracts administered by the City of Newark. In addition, the District has entered into a compensation agreement with Etna Retail DC LLC to provide an annual donation of \$24,566 during the fifteen years term of the agreement. During the fiscal year, the District received \$1,420,433 and \$24,566 under the JEDZ Contract and Etna Retail DC LLC agreement, respectively.

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NOTE 8 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2023 represent collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed values listed as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2023 represent collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2021, were levied after April 1, 2022, and are collected in 2023 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. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually.

If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

	<u>2022 Second Half Collections</u>		<u>2023 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 764,554,980	81.54%	\$ 801,986,440	81.14%
Commercial/Industrial and Public Utility Real	109,229,586	11.65%	117,759,242	11.91%
Public Utility Personal	63,816,340	6.81%	68,648,300	6.95%
Total	<u>\$ 937,600,906</u>	<u>100.00%</u>	<u>\$ 988,393,982</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 37.51		\$ 36.40	

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NOTE 9 – INTERFUND ACTIVITY

(a) Transfers

The District makes all debt service payments from the Debt Service Fund. The Permanent Improvement Fund subsequently reimburses the Debt Service Fund for payments made on the Permanent Improvement Tax Anticipation Notes. During fiscal year 2023, the Permanent Improvement Fund reimbursed the Debt Service Fund \$1,717,545.

During the fiscal year, the District transferred \$126,091 from the Permanent Improvement Fund to the Building Fund for the purpose of financing projects related to the District’s school buildings.

During the fiscal year, the District transferred \$310,535 from the Permanent Improvement Fund to the Capital Facilities Maintenance Fund for the purpose of maintenance to classroom facilities.

During the fiscal year, the District transferred \$3,138 from the Public School Support fund to the District Managed Activities fund to further support extracurricular activities.

(b) Advances

At prior fiscal year-end, the General Fund had unpaid interfund cash advances in the amount of \$1,599, which represents short-term loans made to other funds of the District. These loans were repaid during the fiscal year. At current fiscal year-end, the General Fund had unpaid interfund cash advances in the amount of \$13,461, which represents short-term loans made to other funds of the District. These loans are expected to be repaid within one year.

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NOTE 10 – CAPITAL ASSETS

The District has elected to disclose capital assets, and the activity for the fiscal year follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 4,102,600	\$ -	\$ -	\$ -	\$ 4,102,600
Construction in Progress	91,176,902	14,686,331	-	-	105,863,233
Total Nondepreciable Assets	95,279,502	14,686,331	-	-	109,965,833
Depreciable Capital Assets					
Land Improvements	1,482,589	-	-	-	1,482,589
Buildings	56,477,559	-	-	-	56,477,559
Furniture and Equipment	4,884,584	157,483	-	-	5,042,067
Vehicles	4,964,197	596,417	-	-	5,560,614
Total Depreciable Assets	67,808,929	753,900	-	-	68,562,829
Less Accumulated Depreciation					
Land Improvements	(1,187,171)	(48,738)	-	-	(1,235,909)
Buildings	(19,454,580)	(1,342,839)	-	-	(20,797,419)
Furniture and Equipment	(4,326,025)	(160,105)	-	-	(4,486,130)
Vehicles	(3,224,358)	(409,305)	-	-	(3,633,663)
Total Accumulated Depreciation	(28,192,134)	(1,960,987)	-	-	(30,153,121)
Depreciable Capital Assets, Net of Accumulated Depreciation					
	39,616,795	(1,207,087)	-	-	38,409,708
Total Capital Assets, Net	\$ 134,896,297	\$ 13,479,244	\$ -	\$ -	\$ 148,375,541

NOTE 11 – LONG TERM OBLIGATIONS

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

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A summary of changes in long-term obligations for the fiscal year ended June 30, 2023 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Refunding Bonds Series 2013A</u>					
Current Interest Bonds (2.0-3.0%) maturing 12/1/2022	\$ 525,000	\$ -	\$ (525,000)	\$ -	\$ -
<u>Bonds Series 2017A</u>					
Current Interest Bonds (2.0-5.0%) maturing 11/1/2054	53,780,000	-	-	53,780,000	965,000
<u>Bonds Series 2017B</u>					
Current Interest Bonds (2.0-5.0%) maturing 11/1/2054	18,985,000	-	(725,000)	18,260,000	315,000
<u>2016 Tax Anticipation Notes</u>					
Maturing 12/1/2025 (1.25-5.0%)	510,000	-	(120,000)	390,000	125,000
Bonds and Notes Payable	<u>73,800,000</u>	<u>-</u>	<u>(1,370,000)</u>	<u>72,430,000</u>	<u>1,405,000</u>
<u>Direct Borrowings</u>					
Certificate of Participation, Series 2020	5,850,000	-	(245,000)	5,605,000	255,000
Certificate of Participation, Series 2021	23,500,000	-	(1,075,000)	22,425,000	670,000
Total	<u>29,350,000</u>	<u>-</u>	<u>(1,320,000)</u>	<u>28,030,000</u>	<u>925,000</u>
<u>Bonds Series 2017A</u>					
Current Interest Bonds Premium	2,324,276	-	(71,516)	2,252,760	-
<u>Bonds Series 2017B</u>					
Current Interest Bonds Premium	637,789	-	(19,624)	618,165	-
<u>Certificate of Participation Series 2021</u>					
Current Interest Premium	1,491,520	-	(60,878)	1,430,642	-
<u>2016 Tax Anticipation Notes</u>					
Premium	23,857	-	(6,816)	17,041	-
Total Long Term Obligations	<u>\$ 107,627,442</u>	<u>\$ -</u>	<u>\$ (2,848,834)</u>	<u>\$ 104,778,608</u>	<u>\$ 2,330,000</u>

Refunding Bonds, Series 2013A - On October 10, 2013, the District current refunded the 2003A and 2003B bonds issuance and issued \$2,294,999 in bonds with varying interest rate of 2.0-3.0 percent. The bonds consisted of serial and capital appreciation bonds in the amounts of \$2,010,000 and \$284,999, respectively. The bonds were sold at a premium of \$105,544 with associated issuance costs of \$56,492. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$256,703. The capital appreciation bonds of \$284,999 matured at \$405,000 on December 1, 2019. As of the maturity date, accumulated accretion on the capital appreciation bonds was \$120,001. The debt was repaid by tax receipts through the bond retirement Debt Service Fund.

2017A School Facilities Construction and Improvement Bonds - On September 14, 2017, the District issued School Facilities Construction and Improvement Bonds for \$53,780,000, with a varying interest rate of 2.0-5.0 percent, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bonds have a final maturity during fiscal year 2055. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund.

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2017B School Facilities Construction and Improvement Bonds - On September 14, 2017, the District issued School Facilities Construction and Improvement Bonds for \$24,585,000, with a varying interest rate of 2.0-5.0 percent, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bonds have a final maturity during fiscal year 2055. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund.

Tax Anticipation Notes - In fiscal year 2012, the District issued \$3,535,000 in Tax Anticipation Notes in anticipation of the collection of the proceeds of a two and eight tenths (2.80) mill permanent improvement levy approved by the electors of the District at the election held May 5, 2009. The note matured on December 1, 2021 with gradually increasing principal payments. Interest is paid semiannually on June 1 and December 1 of each year, which began on June 1, 2012. The debt is being repaid through the bond retirement Debt Service Fund, and reimbursed by tax receipts received in the Permanent Improvement Fund.

In fiscal year 2016, the District issued an additional \$1,210,000 in Tax Anticipation Note in anticipation of the collection of the proceeds of a two and eight tenths (2.80) mill permanent improvement levy approved by the electors of the District at the election held May 5, 2009. The note matures December 1, 2025 with gradually increasing principal payments. Interest is paid semiannually on June 1 and December 1 of each year, which began on June 1, 2016. The debt is being repaid through the bond retirement Debt Service Fund, and reimbursed by tax receipts received in the Permanent Improvement Fund.

Loans/Bonds from Direct Borrowings and Placements – In fiscal year 2020 and 2022, the District issued \$6,500,000 and \$23,500,000 in Certificates of Participation for the purpose of construction, improving, furnishing, and equipping of school facilities. The Certificates have a final maturity year of 2040 and 2047, respectively.

Debt service requirements to maturity on the bonds and notes are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 2,330,000	\$ 3,637,176	\$ 5,967,176
2025	2,175,000	3,566,569	5,741,569
2026	2,250,000	3,500,445	5,750,445
2027	2,310,000	3,435,387	5,745,387
2028	2,470,000	3,363,920	5,833,920
2029-2033	13,625,000	15,188,907	28,813,907
2034-2038	16,505,000	12,303,433	28,808,433
2039-2043	19,675,000	9,121,165	28,796,165
2044-2048	21,520,000	5,556,879	27,076,879
2049-2053	11,955,000	2,562,935	14,517,935
2054-2055	5,645,000	246,729	5,891,729
Total	<u>\$ 100,460,000</u>	<u>\$ 62,483,545</u>	<u>\$ 162,943,545</u>

The Ohio Revised Code provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The effects of these laws at fiscal year-end are a voted debt limit of \$88,955,458 and an unvoted debt limit of \$988,394. At fiscal year-end, the District was not subject to state consents/special

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needs approval due to its participation in a Commission program and qualifying for an exception to the approval requirements. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with various governmental entities. At fiscal year-end, these entities have complied with the requirements that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

NOTE 12 - 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) represents 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 plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, to plan members and beneficiaries. Authority to establish and amend

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benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPIW, 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 calendar years 2018, 2019, and 2020. SERS approved a 2.5 percent COLA for calendar year 2022.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2023.

The District’s contractually required contribution to SERS was \$1,217,679 for fiscal year 2023.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (614) 227-4090, or by visiting the STRS Web site at www.strsoh.org.

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent

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and the statutory member rate is 14 percent of covered payroll. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2023 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$3,480,200 for fiscal year 2023.

Pension Liabilities

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.18907130%	0.16779450%	
Prior Measurement Date	<u>0.19086030%</u>	<u>0.16618492%</u>	
Change in Proportionate Share	<u>-0.00178900%</u>	<u>0.00160958%</u>	
Proportionate Share of the Net Pension Liability	\$ 10,226,447	\$ 37,300,929	\$ 47,527,376

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2132.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022 and June 30, 2021, are presented below:

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Actuarial Cost Method	Entry Age Normal (Level Percentage of Payroll, Closed)
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent, net of investment expense, including inflation
COLA or Ad Hoc COLA	2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategies	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	100.00 %	

Discount Rate Total pension liability was calculated using the discount rate of 7.00 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed

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investment rate of return (7.00 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments was negative 1.93 percent.

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

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	\$ 15,052,817	\$ 10,226,447	\$ 6,160,265

Actuarial Assumptions - STRS

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

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

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

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

For 2022, post-retirement mortality rates for healthy retirees are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of

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

The actuarial assumptions used in the June 30, 2022 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the District's proportionate share of the net pension liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption:

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	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	\$ 56,348,292	\$ 37,300,929	\$ 21,192,962

Assumption and Benefit Changes Since the Prior Measurement Date The discount rate was adjusted to 7.00 percent for the June 30, 2022 valuation.

Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

NOTE 13 - DEFINED BENEFIT OPEB PLANS

See Note 12 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 under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was

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\$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the District’s surcharge obligation was \$139,467.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B partial premium reimbursements will be continued indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (614) 227-4090.

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

OPEB Liability (Asset)

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.19380350%	0.16779450%	
Prior Measurement Date	0.19658400%	0.16618500%	
Change in Proportionate Share	-0.00278050%	0.00160950%	
Proportionate Share of the Net OPEB Liability (Asset)	\$ 2,721,021	\$ (4,344,771)	

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.

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

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

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

Inflation	2.40 percent
Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	1.92 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate	
Measurement Date	2.27 percent, net of plan investment expense, including price inflation
Prior Measurement Date	4.08 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	7.00 percent - 4.40 percent

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

Inflation	2.40 percent
Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate	
Measurement Date	2.27 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	6.750 percent - 4.40 percent
Medicare	5.125 percent - 4.40 percent

For 2022 and 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 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to

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2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 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 (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategies	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 3,379,558	\$ 2,721,021	\$ 2,189,416
	1% Decrease	Current Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 2,098,401	\$ 2,721,021	\$ 3,534,280

Actuarial Assumptions – STRS

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

Salary Increases	Varies by service from 2.50 percent to 8.50 percent	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.00 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	7.50 percent	3.94 percent
Medicare	-68.78 percent	3.94 percent
Prescription Drug		
Pre-Medicare	9.00 percent	3.94 percent
Medicare	-5.47 percent	3.94 percent

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

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Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.00 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	29.98 percent	4.00 percent

In 2022, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

In 2021, for healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2022 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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

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

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

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

Sensitivity of the District’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2022, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (4,016,626)	\$ (4,344,771)	\$ (4,625,855)
	1% Decrease	Current Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (4,506,584)	\$ (4,344,771)	\$ (4,140,521)

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

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

Healthcare trends were updated to reflect emerging claims and recoveries experience.

NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the District purchased insurance coverage from EMC Insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior fiscal year.

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NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The District is a participant in the Licking Area Computer Association (LACA). LACA is an association which services 30 entities within the boundaries of Licking, Perry, Fairfield, Knox, Medina, and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. 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 governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The District's total payments to LACA for fiscal year 2023 were \$201,689.

Financial statements for LACA can be obtained at 150 South Quintin Road Newark, Ohio 43055.

B. META Solutions (formerly Tri-Rivers Educational Computer Association (TRECA))

The District participates in the Metropolitan Educational Technology Association (META), a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. Each year, the participating school district's pay a membership fee to META to cover the costs of administering the program. In fiscal year 2023, the District made no payments to META. Financial information can be obtained by META's CFO, 100 Executive Drive, Marion, Ohio 43302.

NOTE 16 – RELATED ORGANIZATION

Pataskala Public Library - The Pataskala Public Library is statutorily created as a separate and distinct political subdivision. Seven trustees of the District Library are appointed by the District. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Due process is required to remove Board members. No subsidies are provided by the District.

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NOTE 17 – SET ASIDES

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

The following modified cash basis information describes the change in the fiscal year-end set-aside amounts for the Capital Acquisition Reserves:

Set-aside cash balance as of June 30, 2022	\$	-
Current fiscal year set-aside requirement		1,007,574
Current Year Offsets		<u>(2,026,676)</u>
Total		<u><u>\$ (1,019,102)</u></u>
Balance Carried Forward to Fiscal Year 2024	\$	<u><u>-</u></u>

During fiscal year 2018, the District issued \$78,365,000 in capital related debt based on a building project under taken by the District. Those proceeds may be used as qualifying offsets to reduce the capital acquisition to zero for future years. At June 30, 2023, the District still has \$74,565,000 in qualifying proceeds that may be used to reduce the set-aside requirement for future years.

NOTE 18 – CONTINGENCIES

- (a) **Grants** - The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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.
- (b) **Litigation** - The District is not party to any litigation that, in the opinion of management, would have a material effect on the financial statements.
- (c) **School District Foundation** - District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE finalized the impact of enrollment adjustment to the fiscal year 2023 Foundation funding for the District. The adjustment has resulted in an adjustment of \$92,450. This was not material to the financial statements and was not included in the financial statements as of June 30, 2023.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 19 – CONTRACTUAL COMMITMENTS

At fiscal year-end, the District has commitments with the following companies:

Vendor	Contract Amount	Amount Paid As of June 30, 2023	Amount Remaining on Contract
Cardinal Bus Sales & Service	\$ 398,969	\$ -	\$ 398,969
Robertson Construction	60,338,838	51,186,050	9,152,788
Garmann Miller & Associates	10,044,763	8,510,597	1,534,166
Hill International, Inc.	816,091	525,202	290,889
Crown Castle International Corporation	325,000	154,308	170,692
Elford, Inc.	397,911	248,162	149,749
T-Built Construction Services	367,805	189,341	178,464
Pepper Construction Company of Ohio, LLC	33,440,425	400,784	33,039,641
Redcon, LLC	517,150	-	517,150
Total	\$ 106,646,952	\$ 61,214,444	\$ 45,432,508

Contractual Commitments are primarily a result of the District’s ongoing Ohio School Facilities Project.

The District encumbers funds with purchase orders to assign funds for those purchases of goods and services. Encumbrances as of fiscal year end in the General Fund, Building Fund, Classroom Facilities Fund, and Other Governmental Funds were \$1,060,901, \$20,781,592, \$19,358,062, and \$1,115,524, respectively.

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SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 20 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Facilities Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Instruction Endowment	\$ 19,338	\$ -	\$ -	\$ -	\$ 19,338
Restricted for:					
Permanent Improvement	-	-	-	1,399,861	1,399,861
Classroom Facilities Maintenance	-	-	-	1,655,000	1,655,000
Debt Service	-	-	-	3,445,929	3,445,929
Capital Projects	-	25,772,706	12,569,092	-	38,341,798
Extracurricular Activities	-	-	-	504,403	504,403
State and Federal Grants	-	-	-	1,001,372	1,001,372
Food Service	-	-	-	2,293,881	2,293,881
Other Purposes	233	-	-	7,024	7,257
Total Restricted	<u>233</u>	<u>25,772,706</u>	<u>12,569,092</u>	<u>10,307,470</u>	<u>48,649,501</u>
Committed for:					
Underground Storage	11,000	-	-	-	11,000
Capital Projects	397,816	-	-	-	397,816
Total Committed	<u>408,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>408,816</u>
Assigned for:					
Instruction	39,212	-	-	-	39,212
Support Services	623,873	-	-	-	623,873
School Support	59,610	-	-	-	59,610
Capital Projects	-	-	-	2,410,000	2,410,000
Total Assigned	<u>722,695</u>	<u>-</u>	<u>-</u>	<u>2,410,000</u>	<u>3,132,695</u>
Unassigned	<u>37,069,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,069,570</u>
Total Fund Balance	<u>\$ 38,220,652</u>	<u>\$ 25,772,706</u>	<u>\$ 12,569,092</u>	<u>\$ 12,717,470</u>	<u>\$ 89,279,920</u>

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass-Through Entity Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 188,990
National School Lunch Program (Non-Cash Assistance)	10.555	N/A	\$ 112,351
National School Lunch Program	10.555	N/A	\$ 907,598
COVID-19 National School Lunch Program	10.555	N/A	\$ 111,373
Fresh Fruit and Vegetable Program	10.582	N/A	\$ 59,047
Total Child Nutrition Cluster			<u>\$ 1,379,359</u>
Pandemic EBT Food Administrative Costs	10.649	N/A	\$ 3,135
Total U.S. Department of Agriculture			<u>\$ 1,382,494</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies Program	84.010A	N/A	\$ 427,910
Special Education Cluster			
Special Education Grants to States	84.027A	N/A	\$ 967,997
COVID-19 Special Education - Grants to States: American Rescue Plan Elementary and Secondary School			
Emergency Relief – IDEA, Part B	84.027X	N/A	\$ 86,796
Special Education Preschool Grants	84.173A	N/A	\$ 11,656
Total Special Education Cluster			<u>\$ 1,066,449</u>
English Language Acquisition State Grants	84.365A	N/A	\$ 42,084
Improving Teacher Quality State Grants	84.367A	N/A	\$ 125,938
Student Support and Academic Enrichment Program	84.424A	N/A	\$ 23,855
Education Stabilization Fund:			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	N/A	\$ 349,671
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	N/A	\$ 1,060,787
COVID-19 American Rescue Plan - Homeless	84.425W	N/A	\$ 70,900
Total Education Stabilization Fund			<u>\$ 1,481,358</u>
<i>Passed Through Licking County Educational Service Center</i>			
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) - Extended Learning Grant	84.425U	N/A	\$ 22,828
Total U.S. Department of Education			<u>\$ 3,190,422</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,572,916</u></u>

The accompanying notes are an integral part of this schedule.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southwest Licking Local School District (the District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, 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 School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

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

Program Title	AL Number	Amount Transferred
Title I Grants to Local Educational Agencies	84.010	\$40,840
Special Education Grants to States	84.027	\$31,145
English Language Acquisition State Grants	84.365	\$1,851
Student Support and Academic Enrichment Program	84.424	\$606
Special Education Preschool Grant	84.173	\$281

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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800-282-0370

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

Southwest Licking Local School District
Licking County
927-A South Street
Pataskala, Ohio 43062

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 modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Licking Local School District, Licking County, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 22, 2024, wherein we note the District uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-001.

District's Response to Findings

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

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

April 22, 2024

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EMAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Southwest Licking Local School District
Licking County
927-A South Street
Pataskala, Ohio 43062

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southwest Licking Local School District's, Licking County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Southwest Licking Local School District's major federal programs for the year ended June 30, 2023. Southwest Licking 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, Southwest Licking 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, 2023.

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

April 22, 2024

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**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	ALN 10.553, 10.555, and 10.582 Child Nutrition Cluster ALN 84.425 Education Stabilization Fund
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023
(Continued)**

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

FINDING NUMBER 2023-001

Annual Financial Report – 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 no 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 Governmental Accounting Standards Board, report on the modified 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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



RICHARD D. JONES

Treasurer
Southwest Licking Local School District
rdjones@laca.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2023

Finding Number	Finding Summary	Status	Additional Information
2022-001 2021-001	Noncompliance for Ohio Rev. Code 117.38 for not filing GAAP basis Finding first occurred in fiscal year 2004 at finding 2004-SWLSD-001.	Not corrected	The District elects to report on a cash basis rather than GAAP. The finding was re-issued as 2023-001.

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RICHARD D. JONES

Treasurer
Southwest Licking Local School District
rdjones@laca.org

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2023

Finding Number: 2023-001
Planned Corrective Action: None. The Southwest Licking LSD has no plans to convert to GAAP financial statements due to cost of the GAAP conversion and audit. The School District does prepare GAAP Look Alike financial statements.
Anticipated Completion Date: N/A
Responsible Contact Person: Richard D. Jones, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

LICKING 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 5/7/2024

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