



OHIO AUDITOR OF STATE  
**KEITH FABER**





**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY  
JUNE 30, 2023**

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CLARK COUNTY  
JUNE 30, 2023**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Northwestern Local School District  
Clark County  
5610 Troy Road  
Springfield, Ohio 45502

To the Board of Education:

### Report on the Audit of the Financial Statements

#### ***Opinions***

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

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

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

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

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

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

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

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

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

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

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

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

### ***Required Supplementary Information***

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

***Supplementary Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 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

July 22, 2024

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**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2023 are as follows:

- In total, net position of governmental activities increased \$1,544,779 which represents an 8.09% increase from fiscal year 2022 net position.
- General revenues accounted for \$20,662,982 in revenue or 80.29% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,072,268 or 19.71% of total revenues of \$25,735,250.
- The District had \$24,190,471 in expenses related to governmental activities; only \$5,072,268 of these expenses were offset by program specific charges for services and sales and grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,662,982 were more than adequate to provide for these programs.
- The District's major funds are the general fund and the bond retirement fund. The general fund had \$19,453,408 in revenues and \$19,035,405 in expenditures and other financing uses. During fiscal year 2023, the general fund's fund balance increased \$418,003 from a balance of \$8,203,213 to a balance of \$8,621,216.
- The bond retirement fund had \$2,900,604 in revenues and \$1,409,560 in expenditures. During fiscal year 2023, the bond retirement fund's fund balance increased \$1,491,044 from a balance of \$11,247,021 to a balance of \$12,738,065.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2023?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

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

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

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

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

**Fund Financial Statements**

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

**Governmental Funds**

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

**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.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset.

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**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

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

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2023 and June 30, 2022.

	<b>Net Position</b>	
	Governmental Activities 2023	Governmental Activities 2022
<b><u>Assets</u></b>		
Current and other assets	\$ 36,295,944	\$ 34,208,235
Net OPEB asset	1,603,005	1,294,301
Capital assets, net	<u>39,540,549</u>	<u>40,977,803</u>
Total assets	<u>77,439,498</u>	<u>76,480,339</u>
<b><u>Deferred outflows</u></b>		
Unamortized deferred charges	80,029	85,220
Pension	4,210,646	4,010,538
OPEB	<u>475,663</u>	<u>465,035</u>
Total deferred outflows	<u>4,766,338</u>	<u>4,560,793</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,103,729	2,308,282
Long-term liabilities:		
Due within one year	367,168	417,818
Due in more than one year		
Net pension liability	17,585,846	10,283,634
Net OPEB liability	1,013,316	1,293,741
Other amounts	<u>28,789,533</u>	<u>29,083,161</u>
Total liabilities	<u>49,859,592</u>	<u>43,386,636</u>
<b><u>Deferred inflows</u></b>		
Property taxes levied for the next fiscal year	7,216,163	7,237,886
Pension	1,920,549	8,932,783
OPEB	<u>2,575,670</u>	<u>2,394,744</u>
Total deferred inflows	<u>11,712,382</u>	<u>18,565,413</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	12,894,141	13,982,251
Restricted	16,540,883	14,604,531
Unrestricted (deficit)	<u>(8,801,162)</u>	<u>(9,497,699)</u>
Total net position	<u>\$ 20,633,862</u>	<u>\$ 19,089,083</u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

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

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of government's financial position. At June 30, 2023, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$20,633,862. Of this total, \$16,540,883 is restricted in use.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

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

At year end, capital assets represented 51.06% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investments in capital assets at June 30, 2023, was \$12,894,141. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

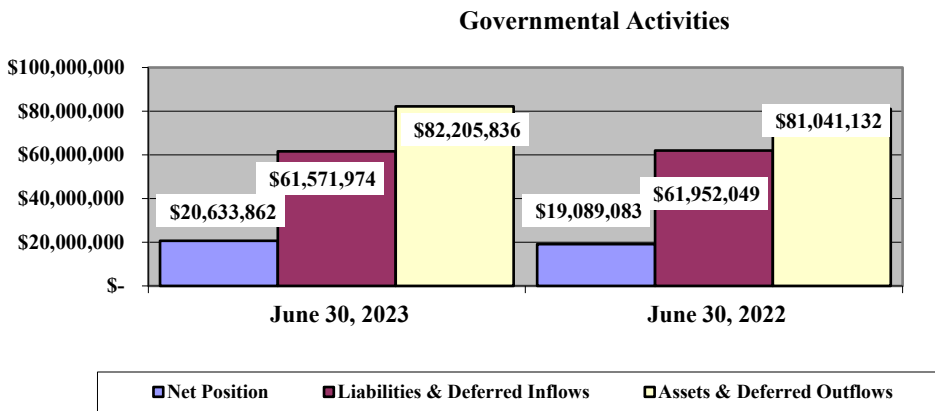
Deferred outflows related to pension increased primarily due to the net difference between projected and actual earnings on pension plan investments by SERS and STRS and deferred outflows related to OPEB decreased due to changes in assumptions by STRS. See Notes 12 and 13 for more detail.

Long-term liabilities increased primarily due to an increase in the net pension liability. This liability is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it’s the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

The net pension liability increased \$7,302,212 and deferred inflows of resources related to pension decreased \$7,012,234. These changes were the result of changes at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Primarily, net investment income on investments at both pension systems were negative for the fiscal year 2022 measurement date that are used for the fiscal year 2023 reporting. This caused a large decrease in their respective fiduciary net positions which was a drastic change from the previous fiscal year’s large positive investment returns.

A portion of the District’s net position, \$16,540,883, represents resources that are subject to external restriction on how they may be used. Of this restricted balance, \$12,439,649 is restricted for debt service. The remaining balance of unrestricted net position is a deficit of \$8,801,162.

The graph below shows the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2023 and June 30, 2022.



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**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

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

The table below shows the change in net position for fiscal year 2023 and 2022.

**Change in Net Position**

	Governmental Activities	
	2023	2022
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,102,500	\$ 812,933
Operating grants and contributions	3,826,313	3,367,403
Capital grants and contributions	143,455	-
General revenues:		
Property taxes	8,966,463	7,946,507
School District income taxes	2,895,222	2,861,475
Grants and entitlements	8,496,303	8,218,347
Investment earnings	277,610	(809,502)
Miscellaneous	27,384	77,174
Total revenues	25,735,250	22,474,337
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	9,843,602	8,946,332
Special	3,036,774	2,729,319
Other	312,485	410,329
Support services:		
Pupil	1,704,001	1,412,381
Instructional staff	870,375	989,865
Board of education	157,636	105,980
Administration	1,423,501	1,116,831
Fiscal	626,769	588,870
Operations and maintenance	2,010,094	1,825,340
Pupil transportation	1,394,627	1,068,754
Operation of non-instructional services:		
Food service operations	696,360	680,586
Other non-instructional services	32,125	31,210
Extracurricular activities	828,696	751,267
Interest and fiscal charges	1,253,426	1,267,961
Total expenses	24,190,471	21,925,025
Changes in net position	1,544,779	549,312
Net position at beginning of year	19,089,083	18,539,771
Net position at end of year	\$ 20,633,862	\$ 19,089,083

**Governmental Activities**

Net position of the District's governmental activities increased \$1,544,779. Total governmental expenses of \$24,190,471 were partially offset by program revenues of \$5,072,268 and general revenues of \$20,662,982. Program revenues supported 20.97% of the total governmental expenses.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

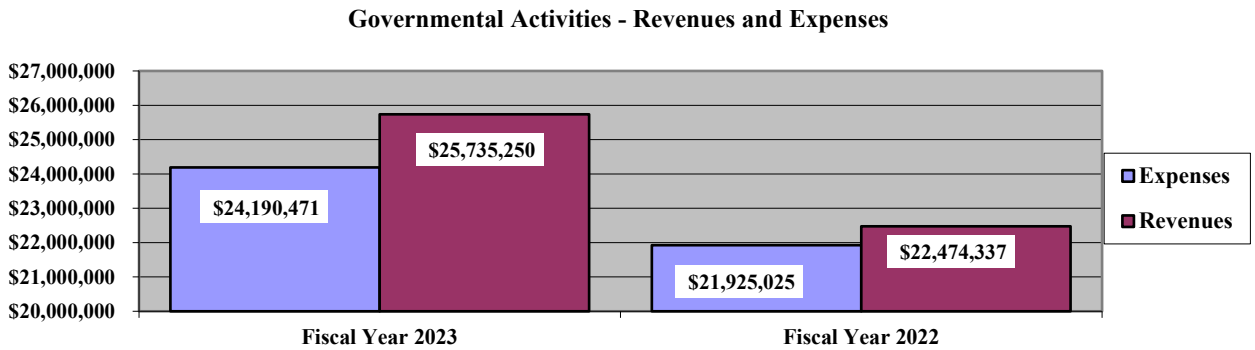
**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
(UNAUDITED)**

Charges for services and sales increased during fiscal year 2023 from food service operations. In the area of program revenues, operating grants and contributions increased, which is primarily attributable to additional federal subsidies received during fiscal year 2023 from the United States Treasury for the Series 2010 and Series 2011 Qualified School Construction Bonds (QSCB) interest costs (see Note 10 for details). This revenue source was reported in general revenues in the prior fiscal year. Capital grants and contributions increased during fiscal year 2023, which represents investment earnings and funding received from the School Safety Grant program and School Bus Purchase program. The School Safety Grant program was created to help schools pay for physical security expenses such as new security cameras, public address systems, automatic door locks, visitor badging systems and exterior lighting.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 79.11% of total governmental revenue. Real estate property is reappraised every six years. Property taxes collected and available to the District are reported as revenue. Property taxes increased due to an increase in property tax advances available to finance fiscal year 2023. Income taxes increased during fiscal year 2023 as collections increased and the unemployment rate decreased. Unrestricted grants and entitlements increased overall due to increases from the State foundation funding model and homestead and rollback, which were partially offset by a decrease for the reclassification of federal subsidies for QSCB interest costs, as explained in the preceding paragraph. Miscellaneous general revenues decreased in fiscal year 2023 from various refunds and reimbursements. Investment earnings increased from increased interest rates throughout fiscal year 2023 and changes in the fair value of investments at fiscal year-end.

Overall, expenses of the governmental activities increased \$2,265,446 during fiscal year 2023. This increase is primarily the result of an increase in pension expense. Pension expense increased approximately \$2,098,346. This increase was the result of an increase in expenses incurred at the pension system level for STRS and SERS due to a decrease in net investment income on investments compared to previous years.

The graph below presents the District’s governmental activities revenue and expenses for fiscal year 2023 and 2022.



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**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

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

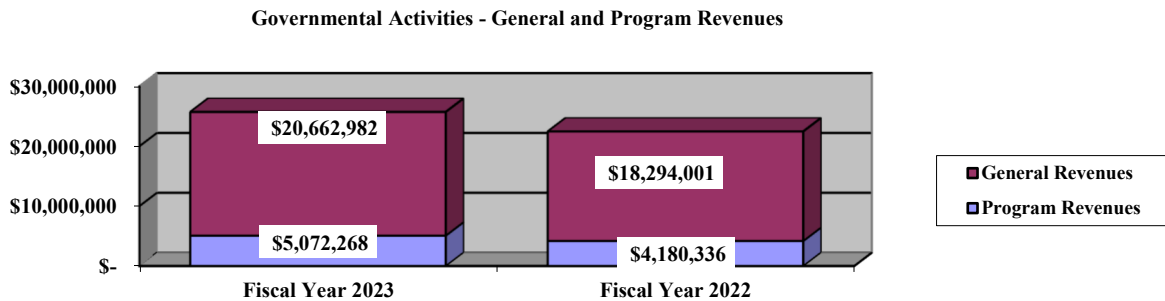
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

**Governmental Activities**

	Total Cost of Services 2023	Net Cost of Services 2023	Total Cost of Services 2022	Net Cost of Services 2022
<b>Program expenses:</b>				
<b>Instruction:</b>				
Regular	\$ 9,843,602	\$ 8,956,523	\$ 8,946,332	\$ 8,313,673
Special	3,036,774	1,874,885	2,729,319	1,387,047
Other	312,485	(7,961)	410,329	(52,802)
<b>Support services:</b>				
Pupil	1,704,001	1,337,783	1,412,381	1,177,035
Instructional staff	870,375	757,277	989,865	808,355
Board of education	157,636	157,636	105,980	105,980
Administration	1,423,501	1,302,986	1,116,831	995,652
Fiscal	626,769	626,769	588,870	588,870
Operations and maintenance	2,010,094	1,996,560	1,825,340	1,794,709
Pupil transportation	1,394,627	1,170,870	1,068,754	1,012,697
<b>Operation of non-instructional services:</b>				
Food service operations	696,360	(21,654)	680,586	(177,207)
Other non-instructional services	32,125	(2,717)	31,210	2,817
Extracurricular activities	828,696	563,016	751,267	519,902
Interest, bond issuance costs and fiscal charges	<u>1,253,426</u>	<u>406,230</u>	<u>1,267,961</u>	<u>1,267,961</u>
<b>Total expenses</b>	<u><b>\$ 24,190,471</b></u>	<u><b>\$ 19,118,203</b></u>	<u><b>\$ 21,925,025</b></u>	<u><b>\$ 17,744,689</b></u>

The dependence upon tax and other general revenues for governmental activities is apparent, 82.04% of instruction activities in fiscal year 2023 are supported through taxes and other general revenues. As for all governmental activities, general revenue support is 79.03%. The District’s taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District’s students.

The graph below presents the District’s governmental activities revenue for fiscal year 2023 and 2022.





**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

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

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$26,032,125 which is more than last year's total of \$24,094,212. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2023 and 2022.

	<u>Fund Balance</u> <u>June 30, 2023</u>	<u>Fund Balance</u> <u>June 30, 2022</u>	<u>Change</u>
General	\$ 8,621,216	\$ 8,203,213	\$ 418,003
Bond retirement	12,738,065	11,247,021	1,491,044
Nonmajor governmental	<u>4,672,844</u>	<u>4,643,978</u>	<u>28,866</u>
Total	<u>\$ 26,032,125</u>	<u>\$ 24,094,212</u>	<u>\$ 1,937,913</u>

**General Fund**

The District's general fund balance increased \$418,003. Taxes increased due to fluctuations in property tax advances available to finance each fiscal year. The amount available as advance can fluctuate based on the timing of tax collections and the date at which tax bills are sent. Intergovernmental revenue increased from homestead and rollback. Earnings on investments increased due to increased interest rates and fluctuations in the change in fair value of the District's investments. Other revenues increased mainly due to an increase in tuition and fees. Expenditures related to instructional activities and support services increased from overall salaries and benefits paid from the general fund.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2023</u> <u>Amount</u>	<u>2022</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 9,586,904	\$ 8,752,167	9.54 %
Investment earnings	268,321	(98,707)	(371.84) %
Intergovernmental	8,994,273	8,159,365	10.23 %
Other revenues	<u>603,910</u>	<u>572,898</u>	5.41 %
Total	<u>\$ 19,453,408</u>	<u>\$ 17,385,723</u>	11.89 %
<b><u>Expenditures</u></b>			
Instruction	\$ 10,707,069	\$ 10,315,853	3.79 %
Support services	7,447,818	6,866,109	8.47 %
Extracurricular activities	<u>406,478</u>	<u>411,116</u>	(1.13) %
Total	<u>\$ 18,561,365</u>	<u>\$ 17,593,078</u>	5.50 %

**Bond Retirement Fund**

The bond retirement fund had \$2,900,604 in revenues and \$1,409,560 in expenditures. During fiscal year 2023, the bond retirement fund's fund balance increased \$1,491,044 from a balance of \$11,247,021 to a balance of \$12,738,065.

**General Fund Budgeting Highlights**

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

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

For the general fund, original and final budgeted revenues and other financing sources were \$18,250,400. Actual revenues and other financing sources for fiscal 2023 were \$18,707,602 which was \$457,202 greater than the final budgeted revenues.

General fund original expenditures and other financing uses of \$18,528,658 were increased to \$19,336,616 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2023 totaled \$19,741,024, which was \$404,408 more than the final budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2023, the District had \$39,540,549 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2023 balances compared to June 30, 2022.

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2023	2022
Land	\$ 479,604	\$ 479,604
Land improvements	3,961,460	4,457,446
Building and improvements	33,335,507	34,570,966
Furniture and equipment	983,905	890,001
Vehicles	780,073	579,786
Total	\$ 39,540,549	\$ 40,977,803

The overall decrease in capital assets of \$1,437,254 is due to depreciation expense of \$2,013,887 exceeding capital outlays of \$576,633 in the current period.

See Note 9 to the basic financial statements for detail.

**Debt Administration**

At June 30, 2023, the District had \$25,570,000 in general obligation bonds and \$1,120,000 in a financed-purchase agreement outstanding. Of this total, \$285,000 is due within one year and \$26,405,000 is due within greater than one year. The following table summarizes the liabilities outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2023	Governmental Activities 2022
	2023	2022
General obligation bonds	\$ 25,570,000	\$ 25,775,000
Financed purchase agreement	1,120,000	1,260,000
Total	\$ 26,690,000	\$ 27,035,000

See Note 10 to the basic financial statements for detail on the District's debt administration.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

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

**Current Financial Related Activities**

The District is currently in good financial condition. Although stable, there are factors, such as inflation and increasing health care costs, that could have a negative impact in the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jenna Ashbaugh, Office of the Treasurer, Northwestern Local Schools, 5610 Troy Road, Springfield, OH 45502.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2023

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 16,227,216
Receivables:	
Property taxes	9,153,864
Income taxes	1,079,816
Accounts	23,917
Accrued interest	123,612
Intergovernmental	562,243
Prepayments	45,505
Materials and supplies inventory	60,684
Inventory held for resale	4,593
Net OPEB asset	1,603,005
Restricted investments with trustee	9,014,494
Capital assets:	
Nondepreciable capital assets	479,604
Depreciable capital assets, net	39,060,945
Capital assets, net	39,540,549
Total assets	77,439,498
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	80,029
Pension	4,210,646
OPEB	475,663
Total deferred outflows of resources	4,766,338
 <b>Liabilities:</b>	
Accounts payable	55,017
Accrued wages and benefits payable	1,389,303
Intergovernmental payable	217,053
Pension and postemployment benefits payable	281,776
Accrued interest payable	17,481
Unearned revenue	143,099
Long-term liabilities:	
Due within one year	367,168
Due in more than one year:	
Net pension liability	17,585,846
Net OPEB liability	1,013,316
Other amounts due in more than one year	28,789,533
Total liabilities	49,859,592
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year	7,216,163
Pension	1,920,549
OPEB	2,575,670
Total deferred inflows of resources	11,712,382
 <b>Net position:</b>	
Net investment in capital assets	12,894,141
Restricted for:	
Capital projects	2,204,495
Classroom facilities maintenance	844,094
Debt service	12,439,649
State funded programs	286,807
Food service operations	283,124
Student activities	140,559
OPEB	336,180
Other purposes	5,975
Unrestricted (deficit)	(8,801,162)
Total net position	\$ 20,633,862

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Program Revenues</u>			<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>		
<b>Governmental activities:</b>					
Instruction:					
Regular	\$ 9,843,602	\$ 502,669	\$ 384,410	\$ -	\$ (8,956,523)
Special	3,036,774	66,511	1,095,378	-	(1,874,885)
Other	312,485	-	320,446	-	7,961
Support services:					
Pupil	1,704,001	1,774	364,444	-	(1,337,783)
Instructional staff	870,375	-	113,098	-	(757,277)
Board of education	157,636	-	-	-	(157,636)
Administration	1,423,501	-	120,515	-	(1,302,986)
Fiscal	626,769	-	-	-	(626,769)
Operations and maintenance	2,010,094	9,599	3,935	-	(1,996,560)
Pupil transportation	1,394,627	67	88,945	134,745	(1,170,870)
Operation of non-instructional services:					
Food service operations	696,360	245,764	472,250	-	21,654
Other non-instructional services	32,125	34,612	230	-	2,717
Extracurricular activities	828,696	241,504	15,466	8,710	(563,016)
Interest and fiscal charges	1,253,426	-	847,196	-	(406,230)
<b>Totals</b>	<u>\$ 24,190,471</u>	<u>\$ 1,102,500</u>	<u>\$ 3,826,313</u>	<u>\$ 143,455</u>	<u>(19,118,203)</u>

**General revenues:**

Property taxes levied for:	
General purposes	6,779,693
Debt service	1,872,849
Capital outlay	203,200
Classroom facilities maintenance	110,721
Income taxes levied for:	
General purposes	2,895,222
Grants and entitlements not restricted to specific programs	
	8,496,303
Investment earnings	277,610
Miscellaneous	27,384
<b>Total general revenues</b>	<u>20,662,982</u>
Change in net position	1,544,779
<b>Net position at beginning of year</b>	<u>19,089,083</u>
<b>Net position at end of year</b>	<u>\$ 20,633,862</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 7,873,006	\$ 4,374,197	\$ 3,980,013	\$ 16,227,216
Receivables:				
Property taxes	7,113,982	1,846,279	193,603	9,153,864
Income taxes	1,079,816	-	-	1,079,816
Accounts	23,917	-	-	23,917
Accrued interest	38,156	78,350	7,106	123,612
Intergovernmental	207,204	-	355,039	562,243
Prepayments	45,061	-	444	45,505
Materials and supplies inventory	56,523	-	4,161	60,684
Inventory held for resale	-	-	4,593	4,593
Due from other funds	265,192	-	-	265,192
Restricted assets:				
Restricted investments with trustee	-	8,071,883	942,611	9,014,494
Total assets	<u>\$ 16,702,857</u>	<u>\$ 14,370,709</u>	<u>\$ 5,487,570</u>	<u>\$ 36,561,136</u>
<b>Liabilities:</b>				
Accounts payable	\$ 53,405	\$ -	\$ 1,612	\$ 55,017
Accrued wages and benefits payable	1,231,497	-	157,806	1,389,303
Intergovernmental payable	214,863	-	2,190	217,053
Pension and postemployment benefits payable	260,142	-	21,634	281,776
Due to other funds	-	-	265,192	265,192
Unearned revenue	-	-	143,099	143,099
Total liabilities	<u>1,759,907</u>	<u>-</u>	<u>591,533</u>	<u>2,351,440</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year	5,585,717	1,489,355	141,091	7,216,163
Delinquent property tax revenue not available	291,020	67,967	10,000	368,987
Income tax revenue not available	208,920	-	-	208,920
Intergovernmental revenue not available	194,191	-	64,996	259,187
Accrued interest not available	17,969	75,322	7,106	100,397
Miscellaneous revenue not available	23,917	-	-	23,917
Total deferred inflows of resources	<u>6,321,734</u>	<u>1,632,644</u>	<u>223,193</u>	<u>8,177,571</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory	56,523	-	4,161	60,684
Prepays	45,061	-	444	45,505
Restricted:				
Debt service	-	12,738,065	942,611	13,680,676
Capital improvements	-	-	2,187,389	2,187,389
Classroom facilities maintenance	-	-	844,094	844,094
Food service operations	-	-	285,165	285,165
State funded programs	-	-	286,807	286,807
Extracurricular	-	-	140,559	140,559
Endowments	-	-	5,975	5,975
Committed:				
Latchkey programs	-	-	40,635	40,635
Assigned:				
Student instruction	84,345	-	-	84,345
Student and staff support	411,041	-	-	411,041
Extracurricular activities	880	-	-	880
Subsequent year's appropriations	7,951,891	-	-	7,951,891
Insurance reserve	71,475	-	-	71,475
Unassigned (deficit)	-	-	(64,996)	(64,996)
Total fund balances	<u>8,621,216</u>	<u>12,738,065</u>	<u>4,672,844</u>	<u>26,032,125</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 16,702,857</u>	<u>\$ 14,370,709</u>	<u>\$ 5,487,570</u>	<u>\$ 36,561,136</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2023

<b>Total governmental fund balances</b>		\$ 26,032,125
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		39,540,549
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 368,987	
Income taxes receivable	208,920	
Accounts receivable	23,917	
Accrued interest receivable	100,397	
Intergovernmental receivable	259,187	
Total		961,408
Unamortized premiums on debt issued are not recognized in the funds.		(1,403,272)
Unamortized deferred charges on debt are not recognized in the funds.		80,029
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(17,481)
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - pension	4,210,646	
Deferred inflows - pension	(1,920,549)	
Net pension liability	(17,585,846)	
Deferred outflows - OPEB	475,663	
Deferred inflows - OPEB	(2,575,670)	
Net OPEB asset	1,603,005	
Net OPEB liability	(1,013,316)	
Total		(16,806,067)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(25,570,000)	
Financed purchase obligations	(1,120,000)	
Compensated absences	(1,063,429)	
Total		(27,753,429)
<b>Net position of governmental activities</b>		<b>\$ 20,633,862</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 6,695,203	\$ 1,859,726	\$ 310,733	\$ 8,865,662
Income taxes	2,891,701	-	-	2,891,701
Intergovernmental	8,994,273	1,107,638	2,129,608	12,231,519
Investment earnings	268,321	(66,760)	25,769	227,330
Tuition and fees	436,139	-	61,180	497,319
Extracurricular	123,994	-	215,198	339,192
Rental income	9,599	-	-	9,599
Charges for services	-	-	245,764	245,764
Miscellaneous	34,178	-	17,318	51,496
Total revenues	<u>19,453,408</u>	<u>2,900,604</u>	<u>3,005,570</u>	<u>25,359,582</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,028,928	-	366,919	8,395,847
Special	2,677,137	-	390,649	3,067,786
Other	1,004	-	319,584	320,588
Support services:				
Pupil	1,604,855	-	115,016	1,719,871
Instructional staff	711,229	-	109,925	821,154
Board of education	157,885	-	-	157,885
Administration	1,307,915	17,983	122,558	1,448,456
Fiscal	590,724	28,902	3,258	622,884
Operations and maintenance	1,597,062	-	307,828	1,904,890
Pupil transportation	1,478,148	-	135,084	1,613,232
Operation of non-instructional services:				
Food service operations	-	-	653,527	653,527
Other non-instructional services	-	-	98,017	98,017
Extracurricular activities	406,478	-	274,965	681,443
Facilities acquisition and construction	-	-	303,216	303,216
Debt service:				
Principal retirement	-	205,000	140,000	345,000
Interest and fiscal charges	-	1,157,675	110,198	1,267,873
Total expenditures	<u>18,561,365</u>	<u>1,409,560</u>	<u>3,450,744</u>	<u>23,421,669</u>
Excess (deficiency) of revenues over (under) expenditures	<u>892,043</u>	<u>1,491,044</u>	<u>(445,174)</u>	<u>1,937,913</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	474,040	474,040
Transfers (out)	(474,040)	-	-	(474,040)
Total other financing sources (uses)	<u>(474,040)</u>	<u>-</u>	<u>474,040</u>	<u>-</u>
Net change in fund balances	418,003	1,491,044	28,866	1,937,913
<b>Fund balances at beginning of year</b>	<u>8,203,213</u>	<u>11,247,021</u>	<u>4,643,978</u>	<u>24,094,212</u>
<b>Fund balances at end of year</b>	<u>\$ 8,621,216</u>	<u>\$ 12,738,065</u>	<u>\$ 4,672,844</u>	<u>\$ 26,032,125</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<b>Net change in fund balances - total governmental funds</b>		\$ 1,937,913
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 576,633	
Current year depreciation	(2,013,887)	
Total		(1,437,254)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	100,801	
Income taxes	3,521	
Tuition	10,626	
Earnings on investments	50,939	
Intergovernmental	209,781	
Total		375,668
Repayment of bond and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		345,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Change in accrued interest payable	404	
Amortization of bond premiums	19,234	
Amortization of deferred charges	(5,191)	
Total		14,447
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,520,736	
OPEB	48,583	
Total		1,569,319
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,610,606)	
OPEB	370,248	
Total		(1,240,358)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(19,956)
<b>Change in net position of governmental activities</b>		<b>\$ 1,544,779</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 6,047,776	\$ 6,047,776	\$ 6,035,689	\$ (12,087)
Income taxes	2,793,633	2,793,633	2,906,311	112,678
Intergovernmental	8,670,147	8,670,147	8,996,565	326,418
Investment earnings	284,200	284,200	295,663	11,463
Tuition and fees	419,095	419,095	435,999	16,904
Rental income	9,227	9,227	9,599	372
Miscellaneous	26,322	26,322	27,384	1,062
Total revenues	<u>18,250,400</u>	<u>18,250,400</u>	<u>18,707,210</u>	<u>456,810</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	9,169,868	9,279,318	8,179,757	1,099,561
Special	2,229,115	2,438,621	2,823,843	(385,222)
Other	283	272	1,474	(1,202)
Support services:				
Pupil	1,258,488	1,602,441	1,628,830	(26,389)
Instructional staff	743,750	836,661	728,782	107,879
Board of education	90,798	108,633	171,923	(63,290)
Administration	1,041,318	1,119,824	1,318,015	(198,191)
Fiscal	534,808	580,484	593,174	(12,690)
Operations and maintenance	1,440,350	1,668,947	1,743,290	(74,343)
Pupil transportation	1,042,273	1,189,111	1,546,153	(357,042)
Extracurricular activities	385,222	419,919	421,022	(1,103)
Total expenditures	<u>17,936,273</u>	<u>19,244,231</u>	<u>19,156,263</u>	<u>87,968</u>
Excess (deficiency) of revenues over (under) expenditures	<u>314,127</u>	<u>(993,831)</u>	<u>(449,053)</u>	<u>544,778</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures	-	-	392	392
Transfers (out)	(582,385)	(82,385)	(584,761)	(502,376)
Advances (out)	(10,000)	(10,000)	-	10,000
Total other financing sources (uses)	<u>(592,385)</u>	<u>(92,385)</u>	<u>(584,369)</u>	<u>(491,984)</u>
Net change in fund balance	(278,258)	(1,086,216)	(1,033,422)	52,794
<b>Fund balance at beginning of year</b>	8,121,928	8,121,928	8,121,928	-
<b>Prior year encumbrances appropriated</b>	433,349	433,349	433,349	-
<b>Fund balance at end of year</b>	<u>\$ 8,277,019</u>	<u>\$ 7,469,061</u>	<u>\$ 7,521,855</u>	<u>\$ 52,794</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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

The District is located in Clark County. The District is staffed by 85 non-certified employees including administrative employees and 108 certified full-time teaching personnel who provide services to 1,606 students and other community members.

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

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

The District is associated with four jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Note 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association
- Southwestern Ohio Educational Purchasing Council
- Springfield-Clark Career Technology Center
- Clark County Family and Children First Council

Insurance Purchasing Pools:

- Ohio School Boards Association Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

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

**A. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program Revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, debt expenditures and other long-term debt obligations, as well as compensated absences, are recorded only when payment is due.

Property taxes, income taxes, grants and entitlements, tuition, fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

**C. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of governmental funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets compared to deferred inflows of resources and liabilities is reported as fund balance.

The District 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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

Bond Retirement Fund - The bond retirement fund is used to account for the accumulation of resources for and the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds are legally required to be budgeted and appropriated. The Board of Education determines the District's legal level of control through passage of the appropriation resolution, which was at the object level for the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Estimated Resources - Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

Appropriations - Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. The Board of Education determines the District's legal level of control through passage of the appropriation resolution, which was at the object level for the General Fund and at the fund level for all other funds. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Some revisions that alter the total of any fund appropriation or alter total object appropriations within the General Fund must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

During the year, several supplemental appropriations were legally enacted; however, none of them were significant. The budget figures that appear in the statement of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the statement of net position and governmental fund balance sheet.

The District reports the sinking fund mandatory principal payment as "restricted investments with trustee" on the statement of net position and the governmental fund balance sheet.

During fiscal year 2023, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Home Loan Banks (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Farm Credit Banks (FFCB) securities, U.S. Treasury notes, commercial paper, a U.S. Government money market fund, and negotiable certificates of deposit. Except for investments in STAR Ohio, investments are reported at fair value which is based on quoted market prices.

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.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year amounted to \$268,321 which includes \$43,799 assigned from other funds.

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

**F. Inventory**

Inventories of all funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure when consumed. Reported material and supplies inventory is reported as a nonspendable fund balance on the governmental fund balance sheet which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The related fund balance is reported as nonspendable in the respective fund.

**H. Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and vehicles, are reported on the government-wide statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District's capitalization threshold is \$5,000. The District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation is computed using the straight-line method over an estimated useful life of eight to twenty years for vehicles, five to fifteen years for furniture and equipment, thirty to forty years for buildings and improvements and fifteen to twenty years for land improvements. Capital assets are depreciated over the remaining useful lives of the related assets.

**I. Interfund Balances**

Interfund loans that are used to cover negative cash balances are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column of the statement of net position.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2023, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave has been calculated using pay rates in effect at June 30, 2023 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and other long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences are reported as liabilities in the fund financial statements only to the extent they come due as a result of employee resignation or retirement. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**L. Interfund Transactions**

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

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

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 12 and 13 for deferred outflows of resources related to net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 12 and 13 for deferred inflows of resources related to net pension liability and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

**N. Exchange/Non-Exchange Transactions**

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



**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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

**O. Restricted Assets**

Restricted investments with trustee represent the year-end balance in the mandatory sinking fund related to the payments made as part of the trustee indenture.

**P. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board has, by resolution, authorized the Treasurer to assign fund balances for encumbrances outstanding at year-end.

*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 expenditures are incurred for purposes for which 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

**Q. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of 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 position is available.

**R. Estimates**

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

**S. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2023, the balance in the budget stabilization reserve was \$201,431. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

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

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

**U. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2023.

**V. Fair Value Measurement**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

**W. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding**

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

**X. Unearned Revenue**

If the District receives restricted funds that were not spent by the end of the fiscal year, the amount received is classified as unearned revenue and is carried over to the next fiscal year and repaid if not spent. The District had \$143,099 in unearned revenue at fiscal year-end.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2023, the District has implemented GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the District.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the District.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the District.

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2023 included the following individual fund deficits:

<u>Nonmajor Special Revenue Funds</u>	<u>Deficit</u>
Title VI-B	\$ 36,915
Title I	25,613
Supporting Effective Instruction	2,468

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the 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.

**A. Restricted Investments with Trustee**

At fiscal year-end, \$9,014,494 was on deposit with an escrow agent for monies held in relation to the District's sinking fund deposits that are required for the District's Series 2010 Qualified School Construction bonds and the Series 2011 Qualified School Construction bonds (See Note 10).

These funds are not included in the "carrying amount of deposits".

**B. Deposits with Financial Institutions**

At June 30, 2023, the carrying amount of all District deposits was \$8,965,349 and the bank balance of all District deposits was \$9,053,230. The entire bank balance was covered by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of June 30, 2023, the District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
FHLMC	\$ 388,581	\$ 97,838	\$ -	\$ -	\$ -	\$ 290,743
FHLB	582,306	273,575	192,704	-	-	116,027
FFCB	486,068	-	148,138	97,744	-	240,186
U.S. Treasury Notes	826,988	227,203	-	240,225	359,560	-
U.S. Government Money						
Market Fund	285,271	285,271	-	-	-	-
Commercial Paper	1,183,744	944,341	239,403	-	-	-
Negotiable CDs	3,332,138	247,490	244,663	924,174	1,294,891	620,920
Amortized Cost:						
STAR Ohio	176,771	176,771	-	-	-	-
Total	<u>\$ 7,261,867</u>	<u>\$ 2,252,489</u>	<u>\$ 824,908</u>	<u>\$ 1,262,143</u>	<u>\$ 1,654,451</u>	<u>\$ 1,267,876</u>

The weighted average maturity of investments is 1.20 years.

The District's investments in the U.S. Government money market funds is valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FHLB, FHLMC and FFCB), U.S. Treasury notes, commercial paper, and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less. The District's investment policy also requires that the investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

*Credit Risk:* The District's investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. STAR Ohio and the U.S. government money market fund were rated AAAm by Standard & Poor's. The commercial paper was rated A-1/A-1+ and P-1 by Moody's and Standard & Poor's, respectively. The negotiable CDs are not rated but are fully insured by the FDIC. The District has no investment policy that would further limit its investment choices.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, U.S. Treasury notes 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 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2023:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair Value:		
FHLMC	\$ 388,581	5.35
FHLB	582,306	8.02
FFCB	486,068	6.69
U.S. Treasury Notes	826,988	11.39
U.S. Government Money		
Market Fund	285,271	3.93
Commercial Paper	1,183,744	16.30
Negotiable CDs	3,332,138	45.89
Amortized Cost:		
STAR Ohio	<u>176,771</u>	<u>2.43</u>
Total	<u>\$ 7,261,867</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2023:

Cash and investments per note

Carrying amount of deposits	\$ 8,965,349
Restricted investments with trustee	9,014,494
Investments	<u>7,261,867</u>
Total	<u>\$ 25,241,710</u>

Cash and investments per statement of net position

Governmental activities	<u>\$ 25,241,710</u>
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**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Interfund loans**

Interfund balances consisted of the following due to/from other funds at June 30, 2023, as reported on the fund statements:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Nonmajor Special Revenue Funds:	
	Miscellaneous State Grants	\$ 135,000
	Title VI-B	36,129
	Title I	89,738
	Student Support and Academic Enrichment	1,857
	Improving Teacher Quality	<u>2,468</u>
Total Due To/From Other Funds		<u>\$ 265,192</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

The primary purpose of the interfund loans due to the general fund is to cover negative cash balances in nonmajor governmental funds. These negative cash balances are allowable under Ohio Revised Code Section 3315.20. The interfund balance will be repaid once the anticipated revenues are received.

Amounts due to/from other funds between governmental funds are eliminated on the government-wide financial statements.

**B. Transfers**

During fiscal year 2023, the general fund transferred \$474,040 to the permanent improvement (a nonmajor capital projects fund), as reported in the fund financial statements.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2023 represent the collection of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed values as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2023 represent the collection of calendar year 2022 taxes. Public utility real and personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Clark and Champaign Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2023 operations. The amount available as an advance at June 30, 2023 was \$1,237,245 in the general fund, \$288,957 in the bond retirement fund and \$42,512 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2022 was \$467,010 in the general fund, \$266,243 in the bond retirement fund and \$16,469 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

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

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

	2022 Second Half Collections		2023 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 237,220,020	94.60	\$ 294,826,500	95.29
Public utility personal	<u>13,543,900</u>	<u>5.40</u>	<u>14,567,350</u>	<u>4.71</u>
Total	<u>\$ 250,763,920</u>	<u>100.00</u>	<u>\$ 309,393,850</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$39.41		\$36.87	

**NOTE 7 - INCOME TAX**

The District levies an income tax of one percent on substantially all income earned by District residents.

Employers with employees based in the state of Ohio are required to withhold income tax on employee compensation and remit the tax to the Ohio Department of Taxation either monthly or quarterly. Individuals may make estimated payments. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds.

Income tax proceeds are to be used to pay general fund operations of the District. The proceeds are credited to the general fund. Income tax revenue for fiscal year 2023 on the modified accrual basis was \$2,891,701.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2023 consisted of taxes, accounts (billings for user charged services, rentals and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

<b>Governmental activities</b>	
Property taxes	\$ 9,153,864
Income taxes	1,079,816
Accounts	23,917
Accrued interest	123,612
Intergovernmental	<u>562,243</u>
Total governmental activities	<u>\$ 10,943,452</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 9 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 479,604	\$ -	\$ -	\$ 479,604
Total capital assets, not being depreciated	<u>479,604</u>	<u>-</u>	<u>-</u>	<u>479,604</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	9,546,329	-	-	9,546,329
Buildings and improvements	45,484,024	-	-	45,484,024
Furniture and equipment	3,456,695	276,988	-	3,733,683
Vehicles	2,179,319	299,645	-	2,478,964
Total capital assets, being depreciated	<u>60,666,367</u>	<u>576,633</u>	<u>-</u>	<u>61,243,000</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(5,088,883)	(495,986)	-	(5,584,869)
Buildings and improvements	(10,913,058)	(1,235,459)	-	(12,148,517)
Furniture and equipment	(2,566,694)	(183,084)	-	(2,749,778)
Vehicles	(1,599,533)	(99,358)	-	(1,698,891)
Total accumulated depreciation	<u>(20,168,168)</u>	<u>(2,013,887)</u>	<u>-</u>	<u>(22,182,055)</u>
Governmental activities capital assets, net	<u>\$ 40,977,803</u>	<u>\$ (1,437,254)</u>	<u>\$ -</u>	<u>\$ 39,540,549</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,580,893
Support services:	
Instructional staff	58,136
Fiscal	1,553
Operations and maintenance	39,764
Pupil transportation	99,582
Operation of non instructional services:	
Food service operations	47,334
Extracurricular activities	<u>186,625</u>
Total depreciation expense	<u>\$ 2,013,887</u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

During the fiscal year 2023, the following changes occurred in governmental activities long-term obligations.

	Balance			Balance	Amounts
	<u>June 30, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2023</u>	<u>Due in</u> <u>One Year</u>
General obligation bonds:					
Series 2010, QSCB	\$ 15,000,000	\$ -	\$ -	\$ 15,000,000	\$ -
Series 2011, QSCB	1,385,000	-	-	1,385,000	-
Series 2021, Refunding Bonds	9,390,000	-	(205,000)	9,185,000	140,000
Financed purchase obligation from direct borrowing	1,260,000	-	(140,000)	1,120,000	145,000
Net pension liability	10,283,634	7,302,212	-	17,585,846	-
Net OPEB liability	1,293,741	-	(280,425)	1,013,316	-
Compensated absences	<u>1,043,473</u>	<u>149,743</u>	<u>(129,787)</u>	<u>1,063,429</u>	<u>82,168</u>
Total	<u>\$ 39,655,848</u>	<u>\$ 7,451,955</u>	<u>\$ (755,212)</u>	46,352,591	<u>\$ 367,168</u>
Add: Unamortized premium on refunding				<u>1,403,272</u>	
Total on statement of net position				<u>\$ 47,755,863</u>	

See Note 12 for detail on the District's net pension liability.

See Note 13 for detail on the District's net OPEB liability/asset.

Compensated absences will be paid from the fund from which the employees' salaries are paid, which is primarily the general fund.

The District's voted debt margin was \$15,013,512, the unvoted debt margin was \$309,394, and the energy conservation debt margin of \$2,784,545 at June 30, 2023. In November 2009, voters in the District approved the issuance of bonds for the construction of two new school buildings to replace the three buildings at that time in use.

On May 26, 2010, the District sold Qualified School Construction Bonds (QSCB) in the amount of \$15,000,000. The entire principal is due December 1, 2026. The bonds were sold at a taxable rate of 5.82%. The United States Treasury will issue checks to the District to pay 5.50% interest. The net interest cost to the District will be 0.32%. The amortization schedule with net interest and the sinking fund payment is as follows:

Fiscal Year Ending,	Series 2010, Qualified School Construction Bonds - Building		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 48,000	\$ 48,000
2025	-	48,000	48,000
2026	-	48,000	48,000
2027	15,000,000	24,000	15,024,000
Total	<u>\$ 15,000,000</u>	<u>\$ 168,000</u>	<u>\$ 15,168,000</u>

The District is making mandatory sinking fund payments from the bond retirement fund that are kept with the trustee to make the December 1, 2026 principal payment.

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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

On November 23, 2010, the District sold Build America Bonds (BABs) in the amount of \$13,240,000. The final principal payment is due December 1, 2038. The bonds were sold at an average net interest rate of 4.21%. The United States Treasury will issue checks to the District to pay 35% of interest costs. The remaining principal of the bonds was refunded in fiscal year 2021 through the issuance of the Series 2021 Refunding School Improvement Bonds.

On March 31, 2011, the District sold Qualified School Construction Bonds (QSCB) for a HB 264 Energy Conservation Project in the amount of \$1,385,000. The entire principal is due December 1, 2025. The bonds were sold at a taxable rate of 5.80%. The United States Treasury will issue checks to the District to pay 5.30% interest. The net interest cost to the District will be 0.50%. The amortization schedule with net interest and the sinking fund payment is as follows:

Fiscal Year Ending,	Series 2011, Qualified School Construction Bonds - HB 264		
	Principal	Interest	Total
2024	\$ -	\$ 6,925	\$ 6,925
2025	-	6,925	6,925
2026	1,385,000	3,463	1,388,463
Total	\$ 1,385,000	\$ 17,313	\$ 1,402,313

The District is making mandatory sinking fund payments from the permanent improvement fund that are kept with the trustee to make the December 1, 2025 principal payment.

On March 11, 2021, the District issued the Series 2021 Refunding School Improvement Bonds to current refund the remaining portion of the Series 2010 Build America Bonds (principal \$10,690,000; interest rate of 4.21%). Issuance proceeds of \$9,710,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for the debt service payment due on March 11, 2021, when the refunded debt was called. The Series 2010 Build America Bonds have been defeased and removed from the statement of net position. The defeased debt was called on April 12, 2021.

The par value of the Series 2021 refunding issuance was \$9,710,000, with an interest rate of 3.00%.

The reacquisition price exceeded the net carrying amount of the old debt (including unamortized deferred charges and unamortized premiums) by \$91,709. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The refunding was undertaken to reduce future debt service payments by \$3,512,616 and resulted in an economic gain of \$2,410,585.

Payments related to the Series 2021 Refunding School Improvement Bonds are recorded as debt service expenditures in the bond retirement fund. Principal payments on the Series 2021 Refunding School Improvement Bonds are due each December 1, beginning December 1, 2021, through and including December 1, 2038. Interest payments are due on June 1 and December 1 each year. These amounts are reported as debt service expenditures in the bond retirement fund. The final maturity stated in the issue is December 1, 2038.

The Series 2021 Refunding School Improvement Bonds were issued at a premium of \$1,383,288. The bond premium was deposited into the bond retirement fund to be used for future debt service payments. The bond premium was not used for the acquisition of capital assets; therefore, the unamortized premium liability at June 30, 2023 of \$1,366,835 is not included in the net position component "net investment in capital assets".

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the Series 2021 Refunding School Improvement Bonds:

<u>Fiscal Year Ending</u>	Series 2021, Refunding School Improvement Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 140,000	\$ 279,500	\$ 419,500
2025	90,000	276,050	366,050
2026	-	274,700	274,700
2027	-	274,700	274,700
2028	585,000	265,925	850,925
2029-2033	3,385,000	1,015,000	4,400,000
2034-2038	4,180,000	443,400	4,623,400
2039	805,000	12,075	817,075
Total	\$ 9,185,000	\$ 2,841,350	\$ 12,026,350

On December 5, 2017, the District entered into a \$2,025,000 financed-purchase agreement with Branch Banking and Trust Company to help finance the construction of a new athletic facility and practice fields. The source of revenue to fund the principal and interest payments will be derived from permanent improvement revenues of the District.

The financed-purchase agreement is considered a direct borrowing. Direct borrowings have terms negotiated directly between the District and the lender and are not offered for public sale. In conjunction with the financed-purchase agreement, the District and the Bank have entered into a Ground Lease agreement whereby the District has leased to the Bank, under a Ground Lease, the Project Site and the Bank has subleased the Project Site, and the facilities already located and/or to be constructed thereon (the "Project Facilities") back to the District under the terms of the financed-purchase agreement. The Project Site and Project Facilities are collateral for the debt as, in the event of default or "Nonappropriation of Funds", the Bank shall have all legal and equitable rights to take possession of the Project Site and Project Facilities and/or assign the Ground Lease. The financed-purchase agreement has no significant finance-related terms related to events of default, termination events, or subjective acceleration clauses except to state that there shall be no right under any circumstances to accelerate the maturities of base rent payments or otherwise declare any base rent not then past due or in default to be immediately due and payable.

Financed-purchase payments are reported as function expenditures on a budgetary basis. However, on a GAAP basis, these payments have been reclassified and are reported as debt service expenditures in the permanent improvement fund (a nonmajor governmental fund). During fiscal year 2023, the District made principal and interest payments of \$140,000 and \$29,869, respectively, from the permanent improvement fund (a nonmajor governmental fund).

Capital assets consisting of building and improvements have been capitalized. At June 30, 2023, capital assets in the amount of \$3,023,401 have been recorded as buildings and improvements. Accumulated depreciation at June 30, 2023 was \$700,226 leaving a book value of \$2,323,175.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the financed-purchase agreement:

Fiscal Year Ending,	Direct Borrowing Financed - Purchase Agreement		
	Principal	Interest	Total
2024	\$ 145,000	\$ 26,292	\$ 171,292
2025	150,000	22,590	172,590
2026	155,000	18,762	173,762
2027	160,000	14,809	174,809
2028	165,000	10,731	175,731
2029-2030	345,000	8,722	353,722
Total	<u>\$ 1,120,000</u>	<u>\$ 101,906</u>	<u>\$ 1,221,906</u>

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the District contracted with the Southwestern Ohio EPC Liability, Fleet & Property Program (LFP) and Arthur J. Gallagher & Co. for property, general liability, professional and fleet insurance.

Building and Contents - replacement cost (\$5,000 Property / \$1,000 APD deductible)	-\$250,000,000 Blanket Limit -Refer to Statement of Value for specific limits
Boiler and Machinery (\$3,500 deductible)	\$ 250,000,000
Automobile Liability (no deductible)	1,000,000
Professional Liability (\$10,000 SBLL / \$15,000 EPLI deductible)	
Single Occurrence	1,000,000
Aggregate	1,000,000
General Liability (no deductible)	
Per Occurrence	1,000,000
Total per year (per member)	3,000,000
Excess Liability/Umbrella (no deductible)	
Per Occurrence	4,000,000
Total per year (per member)	4,000,000
Pollution Legal Liability (\$25,000 deductible)	
Per Occurrence	1,000,000
Total Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

For fiscal year 2023, the District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." The "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the GRP.

**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*

The net pension liability and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

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

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

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; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.



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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The District's contractually required contribution to SERS was \$355,440 for fiscal year 2023. Of this amount, \$34,527 is reported as pension and postemployment benefits payable.

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

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

A DB or Combined Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members, on or after July 1, 2013, must have at least ten years of qualifying service credit 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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The District's contractually required contribution to STRS was \$1,165,296 for fiscal year 2023. Of this amount, \$198,668 is reported pension and postemployment benefits payable.

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.06598670%	0.06138729%	
Proportion of the net pension liability current measurement date	<u>0.07069270%</u>	<u>0.06190804%</u>	
Change in proportionate share	<u>0.00470600%</u>	<u>0.00052075%</u>	
Proportionate share of the net pension liability	\$ 3,823,611	\$ 13,762,235	\$ 17,585,846
Pension expense	\$ 183,540	\$ 1,427,066	\$ 1,610,606

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 154,859	\$ 176,176	\$ 331,035
Net difference between projected and actual earnings on pension plan investments	-	478,893	478,893
Changes of assumptions	37,727	1,646,927	1,684,654
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	166,373	28,955	195,328
Contributions subsequent to the measurement date	<u>355,440</u>	<u>1,165,296</u>	<u>1,520,736</u>
Total deferred outflows of resources	<u>\$ 714,399</u>	<u>\$ 3,496,247</u>	<u>\$ 4,210,646</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 25,101	\$ 52,645	\$ 77,746
Net difference between projected and actual earnings on pension plan investments	133,428	-	133,428
Changes of assumptions	-	1,239,662	1,239,662
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>65,292</u>	<u>404,421</u>	<u>469,713</u>
Total deferred inflows of resources	<u>\$ 223,821</u>	<u>\$ 1,696,728</u>	<u>\$ 1,920,549</u>

\$1,520,736 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	\$ 34,970	\$ (176,511)	\$ (141,541)
2025	69,037	(197,621)	(128,584)
2026	(190,602)	(387,364)	(577,966)
2027	<u>221,733</u>	<u>1,395,719</u>	<u>1,617,452</u>
Total	<u>\$ 135,138</u>	<u>\$ 634,223</u>	<u>\$ 769,361</u>

***Actuarial Assumptions - SERS***

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.00%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.00% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.00%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Asset Class	Target 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 Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 5,628,173	\$ 3,823,611	\$ 2,303,292

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**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***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:

	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Projected salary increases	Varies by service from 2.50% to 8.50%	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.00%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% 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% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\* 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% and is net of investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 20,789,727	\$ 13,762,235	\$ 7,819,153

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

**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

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. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the District's surcharge obligation was \$48,583.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$48,583 for fiscal year 2023, which is reported as pension and postemployment benefits payable.

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

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

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

***OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

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



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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.06835850%	0.06138729%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.07217300%</u>	<u>0.06190804%</u>	
Change in proportionate share	<u>0.00381450%</u>	<u>0.00052075%</u>	
Proportionate share of the net OPEB liability	\$ 1,013,316	\$ -	\$ 1,013,316
Proportionate share of the net OPEB (asset)	\$ -	\$ (1,603,005)	\$ (1,603,005)
OPEB expense	\$ (70,642)	\$ (299,606)	\$ (370,248)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 8,521	\$ 23,238	\$ 31,759
Net difference between projected and actual earnings on OPEB plan investments	5,264	27,902	33,166
Changes of assumptions	161,179	68,283	229,462
Difference between employer contributions and proportionate share of contributions/change in proportionate share	119,470	13,223	132,693
Contributions subsequent to the measurement date	<u>48,583</u>	<u>-</u>	<u>48,583</u>
Total deferred outflows of resources	<u>\$ 343,017</u>	<u>\$ 132,646</u>	<u>\$ 475,663</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 648,191	\$ 240,744	\$ 888,935
Changes of assumptions	415,974	1,136,687	1,552,661
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>112,034</u>	<u>22,040</u>	<u>134,074</u>
Total deferred inflows of resources	<u>\$ 1,176,199</u>	<u>\$ 1,399,471</u>	<u>\$ 2,575,670</u>

\$48,583 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2024.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2024	\$ (205,227)	\$ (378,410)	\$ (583,637)
2025	(201,732)	(358,248)	(559,980)
2026	(178,790)	(174,119)	(352,909)
2027	(122,524)	(72,425)	(194,949)
2028	(78,015)	(93,767)	(171,782)
Thereafter	<u>(95,477)</u>	<u>(189,856)</u>	<u>(285,333)</u>
Total	<u>\$ (881,765)</u>	<u>\$ (1,266,825)</u>	<u>\$ (2,148,590)</u>

***Actuarial Assumptions - SERS***

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

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

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

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**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.00% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	3.69%
Prior measurement date	1.92%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	4.08%
Prior measurement date	2.27%
Medical trend assumption:	
Current measurement date	7.00 to 4.40%
Prior measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Mean Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

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

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

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 Strategy	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%. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 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% at June 30, 2022 and 1.92% at June 30, 2021.

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,258,554	\$ 1,013,316	\$ 815,343

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 781,449	\$ 1,013,316	\$ 1,316,173

***Actuarial Assumptions - STRS***

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

	June 30, 2022		June 30, 2021	
Inflation	2.50%		2.50%	
Projected salary increases	Varies by service from 2.50% to 8.50%		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.00%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.00%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	3.94%	5.00%	4.00%
Medicare	-68.78%	3.94%	-16.18%	4.00%
Prescription Drug				
Pre-Medicare	9.00%	3.94%	6.50%	4.00%
Medicare	-5.47%	3.94%	29.98%	4.00%

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

For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% 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% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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

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

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic Equity	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% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,484,412	\$ 1,603,005	\$ 1,706,711
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,662,706	\$ 1,603,005	\$ 1,527,647

**NOTE 14 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. Classified employees earn 4.6 hours for 80 hours worked. Sick leave may be accumulated up to a maximum of 280 days for classified and certified personnel. Upon retirement, payment is made for 25 percent of up to a maximum of 255 accrued sick leave days for certified employees and 30 percent of up to maximum of 255 accrued sick leave days for classified employees.

**B. Insurance Benefits**

The District provides life insurance through Securian and accidental death and dismemberment insurance through Anthem to most employees. Medical/surgical benefits are provided through Anthem, dental insurance through Delta Dental, and vision insurances through Vision Service Plan.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL**

**A. Jointly Governed Organizations**

Miami Valley Educational Computer Association - The District is a participant in the Miami Valley Educational Computer System Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia, and Hillsboro. 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 districts.

The governing board of MVECA consists of seven representatives from member districts elected by majority vote of the General Assembly, which consists of representatives from the member school districts. Each member pays an annual membership fee plus any other fees for services performed by the consortium. The District paid MVECA \$102,269 for services provided during the year.

Financial information can be obtained from Thor Sage, who serves as Executive Director, at 888 Dayton Street, Suite 102, Yellow Springs, Ohio 45387.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL - (Continued)**

Southwestern Ohio Educational Purchasing Council - The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a not-for-profit regional council of governments established under Chapter 167 of the Ohio Revised Code. SOEPC enables the participants to provide a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Council is directed by a member-elected eleven-member Executive Board. The Council provides joint purchasing and other educational services for over 260-member school districts. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

In addition the cooperative hires attorneys, auditor's and actuaries to assist in running the day to day program. Gallagher is responsible for the insurance program administration. JWF Specialty Company is responsible for processing claims between SOEPC and its members. Payments to SOEPC are made from the general fund. During the fiscal year, the District paid \$2,701,729 for its medical, dental, vision, life, liability and fleet insurance through the SOEPC. Financial information can be obtained from Mr. Ken Swink, Southwestern Ohio Educational Purchasing Council Director at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Springfield-Clark Career Technology Center - The Springfield-Clark Career Technology Center (CTC) is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Tecumseh Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Clark-Shawnee Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The District did not make any financial contributions to the CTC during fiscal year 2023. To obtain financial information, write to the Springfield-Clark Career Technology Center, Julie Wallace, Treasurer, 1901 Selma Road, Springfield, Ohio 45505.

Clark County Family and Children First Council - The Clark County Family and Children First Council (the Council) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Northwestern Local School District does not pay any dues since the Clark County Educational Service Center represents the District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Leslie Crew, who serves as Executive Director, at 1345 Lagonda Avenue, Springfield, Ohio 45501.

**B. Insurance Purchasing Pools**

Ohio School Boards Association Workers' Compensation Group Rating Plan - The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the plan. The District paid \$7,545 during 2023 for membership dues.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL - (Continued)**

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan - The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), which provides group medical benefits for the employees of participating employers through a risk sharing pool. The EPC Benefit Plan is governed by a Trust agreement and a Board of Trustees elected by participating districts. During fiscal year 2023, the District paid \$2,591,995 for its medical, dental and vision insurance through the SOEPC.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. Foundation Funding**

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, the net impact of FTE adjustments for fiscal year 2023 resulted in a receivable from ODE in the amount of \$2,017.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budgetary basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (d) Advances-in and advances-out are operating transactions (budgetary basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis) but have separate legally adopted budgets (budgetary basis).

The adjustments necessary to convert the results of operations for the year on the budgetary basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (1,033,422)
Net adjustment for revenue accruals	615,270
Net adjustment for expenditure accruals	338,742
Net adjustment for other sources/uses	110,329
Funds budgeted elsewhere	(17,313)
Adjustment for encumbrances	404,397
GAAP basis	\$ 418,003

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public-school support fund and the insurance reserve fund.

**NOTE 18 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2022	\$ -
Current year set-aside requirement	344,687
Current year qualifying expenditures	(164,645)
Current year offsets	(648,667)
Total	\$ (468,625)
Balance carried forward to fiscal year 2024	\$ -
Set-aside balance June 30, 2023	\$ -

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**NOTE 18 - SET-ASIDES - (Continued)**

During a prior fiscal year, the District issued \$29,625,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$29,346,519 at June 30, 2023.

**NOTE 19 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 372,126
Nonmajor governmental	<u>151,640</u>
Total	<u>\$ 523,766</u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net pension liability	0.07069270%	0.06598670%	0.07084220%	0.06949080%
District's proportionate share of the net pension liability	\$ 3,823,611	\$ 2,434,718	\$ 4,685,652	\$ 4,157,756
District's covered payroll	\$ 2,554,364	\$ 2,377,121	\$ 2,347,393	\$ 2,225,111
District's proportionate share of the net pension liability as a percentage of its covered payroll	149.69%	102.42%	199.61%	186.86%
Plan fiduciary net position as a percentage of the total pension liability	75.82%	82.86%	68.55%	70.85%

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.06896440%	0.06914430%	0.06437350%	0.06465960%	0.06688600%	0.06688600%
\$ 3,949,719	\$ 4,131,219	\$ 4,711,546	\$ 3,689,539	\$ 3,385,062	\$ 3,977,496
\$ 2,433,067	\$ 2,346,943	\$ 2,075,021	\$ 1,946,593	\$ 1,943,579	\$ 1,947,312
162.33%	176.03%	227.06%	189.54%	174.17%	204.26%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	2023	2022	2021	2020
District's proportion of the net pension liability	0.061908040%	0.061387288%	0.061687120%	0.064955040%
District's proportionate share of the net pension liability	\$ 13,762,235	\$ 7,848,916	\$ 14,926,088	\$ 14,364,417
District's covered payroll	\$ 8,078,914	\$ 7,632,714	\$ 7,444,657	\$ 7,593,200
District's proportionate share of the net pension liability as a percentage of its covered payroll	170.35%	102.83%	200.49%	189.17%
Plan fiduciary net position as a percentage of the total pension liability	78.88%	87.78%	75.48%	77.40%

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.066306430%	0.065193190%	0.067100350%	0.064801610%	0.065455590%	0.065455590%
\$ 14,579,295	\$ 15,486,782	\$ 22,460,510	\$ 17,909,270	\$ 15,921,065	\$ 18,965,068
\$ 7,570,236	\$ 7,260,107	\$ 7,114,214	\$ 6,760,964	\$ 6,687,754	\$ 6,701,808
192.59%	213.31%	315.71%	264.89%	238.06%	282.98%
77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 355,440	\$ 357,611	\$ 332,797	\$ 328,635
Contributions in relation to the contractually required contribution	<u>(355,440)</u>	<u>(357,611)</u>	<u>(332,797)</u>	<u>(328,635)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,538,857	\$ 2,554,364	\$ 2,377,121	\$ 2,347,393
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 300,390	\$ 328,464	\$ 328,572	\$ 290,503	\$ 256,561	\$ 269,380
<u>(300,390)</u>	<u>(328,464)</u>	<u>(328,572)</u>	<u>(290,503)</u>	<u>(256,561)</u>	<u>(269,380)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,225,111	\$ 2,433,067	\$ 2,346,943	\$ 2,075,021	\$ 1,946,593	\$ 1,943,579
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 1,165,296	\$ 1,131,048	\$ 1,068,580	\$ 1,042,252
Contributions in relation to the contractually required contribution	<u>(1,165,296)</u>	<u>(1,131,048)</u>	<u>(1,068,580)</u>	<u>(1,042,252)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,323,543	\$ 8,078,914	\$ 7,632,714	\$ 7,444,657
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,063,048	\$ 1,059,833	\$ 1,016,415	\$ 995,990	\$ 946,535	\$ 869,408
<u>(1,063,048)</u>	<u>(1,059,833)</u>	<u>(1,016,415)</u>	<u>(995,990)</u>	<u>(946,535)</u>	<u>(869,408)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,593,200	\$ 7,570,236	\$ 7,260,107	\$ 7,114,214	\$ 6,760,964	\$ 6,687,754
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net OPEB liability	0.07217300%	0.06835850%	0.07352320%	0.07132010%
District's proportionate share of the net OPEB liability	\$ 1,013,316	\$ 1,293,741	\$ 1,597,900	\$ 1,793,551
District's covered payroll	\$ 2,554,364	\$ 2,377,121	\$ 2,347,393	\$ 2,225,111
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	39.67%	54.42%	68.07%	80.61%
Plan fiduciary net position as a percentage of the total OPEB liability	30.34%	24.08%	18.17%	15.57%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.07021660%	0.07023220%	0.06533542%
\$ 1,947,998	\$ 1,884,848	\$ 1,862,301
\$ 2,433,067	\$ 2,346,943	\$ 2,075,021
80.06%	80.31%	89.75%
13.57%	12.46%	11.49%

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/ASSET  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net OPEB liability/asset	0.061908040%	0.061387288%	0.061687120%	0.064955040%
District's proportionate share of the net OPEB liability/(asset)	\$ (1,603,005)	\$ (1,294,301)	\$ (1,084,151)	\$ (1,075,811)
District's covered payroll	\$ 8,078,914	\$ 7,632,714	\$ 7,444,657	\$ 7,593,200
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	19.84%	16.96%	14.56%	14.17%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	230.73%	174.73%	182.10%	174.70%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.066306430%	0.065193190%	0.067100350%
\$ (1,065,477)	\$ 2,543,598	\$ 3,588,544
\$ 7,570,236	\$ 7,260,107	\$ 7,114,214
14.07%	35.04%	50.44%
176.00%	47.10%	37.33%

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 48,583	\$ 46,566	\$ 45,381	\$ 47,282
Contributions in relation to the contractually required contribution	<u>(48,583)</u>	<u>(46,566)</u>	<u>(45,381)</u>	<u>(47,282)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,538,857	\$ 2,554,364	\$ 2,377,121	\$ 2,347,393
Contributions as a percentage of covered payroll	1.91%	1.82%	1.91%	2.01%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 55,153	\$ 51,219	\$ 38,587	\$ 33,489	\$ 50,201	\$ 36,952
<u>(55,153)</u>	<u>(51,219)</u>	<u>(38,587)</u>	<u>(33,489)</u>	<u>(50,201)</u>	<u>(36,952)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,225,111	\$ 2,433,067	\$ 2,346,943	\$ 2,075,021	\$ 1,946,593	\$ 1,943,579
2.48%	2.11%	1.64%	1.61%	2.58%	1.90%

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,323,543	\$ 8,078,914	\$ 7,632,714	\$ 7,444,657
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,934
-	-	-	-	-	(67,934)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,593,200	\$ 7,570,236	\$ 7,260,107	\$ 7,114,214	\$ 6,760,964	\$ 6,687,754
0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- For fiscal year 2019, with the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

*Changes in assumptions :*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023.

(Continued)

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PENSION (CONTINUED)

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*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2023.

*Changes in assumptions :*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.
- For fiscal year 2023, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- There were no changes in benefit terms from the amounts reported for fiscal year 2018.
- There were no changes in benefit terms from the amounts reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts reported for fiscal year 2021.
- There were no changes in benefit terms from the amounts reported for fiscal year 2022.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

(Continued)

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO (CONTINUED)*

*Changes in assumptions:*

- For fiscal year 2017, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%, and (c) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22% to 2.63%.
- For fiscal year 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.
- For fiscal year 2023, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 1.92% to 3.69%, (b) single equivalent interest rate when from 2.27% to 4.08% and (c) medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%.

(Continued)

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2023.

*Changes in assumptions :*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

(Continued)

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO (CONTINUED)*

*Changes in assumptions (continued):*

- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.
- For fiscal year 2023, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50% and (b) health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate.



**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program / Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>(1) Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education and Workforce</i>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	102,055
National School Lunch Program	10.555	373,737
Total Child Nutrition Cluster		<u>475,792</u>
Total U.S. Department of Agriculture		<u><b>475,792</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education and Workforce</i>		
Title I Grants to Local Educational Agencies	84.010	185,956
Special Education Cluster (IDEA)		
Special Education Grants to States:		
Special Education Grants to States	84.027	303,620
COVID-19 Special Education Grants to States	84.027	60,165
Total Special Education Grants to States		<u>363,785</u>
Special Education Preschool Grants	84.173	11,066
Total Special Education Cluster (IDEA)		<u>374,851</u>
Supporting Effective Instruction State Grants	84.367	48,404
Student Support and Academic Enrichment Program	84.424	16,637
COVID-19 Education Stabilization Fund:		
Elementary and Secondary School Emergency Relief Fund	84.425D	131,312
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	673,051
Total COVID-19 Education Stabilization Fund		<u>804,363</u>
Total U.S. Department of Education		<u><b>1,430,211</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$ 1,906,003</b></u>

(1) There were no amounts passed through to subrecipients

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL 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 Northwestern Local School District (the “District’s”) under programs of the federal government for the fiscal 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 Northwestern Local School 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. The District receives cash in lieu of donated commodities. At June 30, 2023, the District had no significant food commodities in inventory.

# OHIO AUDITOR OF STATE KEITH FABER



65 East State Street  
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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

Northwestern Local School District  
Clark County  
5610 Troy Road  
Springfield, Ohio 45502

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwestern Local School District, Clark County, (the District) as of and for the fiscal 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 July 22, 2024.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a material weakness.

***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 and corrective action plan. The District's response 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

July 22, 2024

# OHIO AUDITOR OF STATE KEITH FABER



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

Northwestern Local School District  
Clark County  
5610 Troy Road  
Springfield, Ohio 45502

To the Board of Education:

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

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

We have audited Northwestern Local School District's, Clark County, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Northwestern Local School District's major federal program for the fiscal year ended June 30, 2023. Northwestern Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Northwestern Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended June 30, 2023.

#### ***Basis for Opinion on the Major Federal Program***

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

July 22, 2024

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**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

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

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

**FINDING NUMBER 2023-001**

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.10(D)** provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

**FINDING NUMBER 2023-001  
(Continued)**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Due to lack of proper internal controls, the District inappropriately recorded \$279,957 of Homestead and Rollback (Intergovernmental) revenue into the General fund. Given the source of the revenue, this should have been recorded in the Bond Retirement fund for \$254,121 and Permanent Improvement fund for \$25,836. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The failure to properly classify financial activity in the basic financial statements may impact the users' understanding of the financial operations, the Board's and management's ability to make sound financial decisions, and could result in materially misstated reports.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The District should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**Officials' Response:**

The District will review the current controls that are in place and work to implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**4. OTHER – FINDINGS FOR RECOVERY**

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS or Single Audit Compliance and Controls reports.

**FINDING NUMBER 2023-002**

**Finding for Recovery – Repaid Under Audit**

**Ohio Rev. Code § 3307.26(A)(5)** requires each teacher to contribute fourteen percent of the teacher's earned compensation to the state teachers retirement system.

**Ohio Rev. Code § 3307.26(C)** requires the contribution for all teachers shall be deducted by the employer on each payroll in an amount equal to the applicable percent of the teacher's paid compensation for such payroll period or other period as the board may approve. All contributions on paid compensation for teachers shall be remitted at intervals required by the state teachers retirement system.

**FINDING NUMBER 2023-002**  
**(Continued)**

**Ohio Rev. Code § 3307.28** states, in part, each employer shall pay to the state teachers retirement system an amount which shall be a certain percent of the earnable compensation of all members, and which shall be known as the "employer contribution". Each employer shall remit the employer contribution at intervals required by the state teachers retirement system.

Furthermore, **Ohio Rev. Code § 3309.47** states in part that each school employees retirement system contributor shall contribute eight per cent of the contributor's compensation to the employees' savings fund, except that the school employees retirement board may raise the contribution rate to a rate not greater than ten per cent of compensation. The contributions by the direction of the school employees retirement board shall be deducted by the employer from the compensation of each contributor on each payroll of such contributor for each payroll period and shall be an amount equal to the required per cent of such contributor's compensation.

Due to lack of procedures in place, the District did not ensure all employees were in a pension system and were having contributions withheld. During fiscal year 2023, the District did not withhold or remit the employee or employer contributions to the State Teacher's Retirement System (STRS) for 5 employees for payments related to supplemental contracts, substitute teaching, and a bonus. As a result, the STRS withholdings and remittance of employee contributions to STRS during fiscal year 2023 were underreported by \$1,206, which caused the employees to be overpaid by \$1,206. Additionally, the District's STRS employer contributions were understated by \$1,397. The District also did not withhold or remit the employee or employer contributions to the School Employees Retirement System (SERS) for 2 employees for payments related to training bonuses and substitute positions. As a result, the SERS withholdings and remittance of employee contributions to SERS during fiscal year 2023 were underreported by \$22 which caused the employees to be overpaid by \$22. Additionally, the District's SERS employer contributions were understated by \$32.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended has been issued against:

- Jeffrey Caivano and Treasurer Jenna Ashbaugh, and her bonding company, Cincinnati Insurance Company, jointly and severally, in the amount of \$426, and in favor of Northwestern Local School District General fund, in the amount of \$426.
- Casey Kampman and Treasurer Jenna Ashbaugh, and her bonding company, Cincinnati Insurance Company, jointly and severally, in the amount of \$139, and in favor of Northwestern Local School District General fund, in the amount of \$139.
- Krista Cahoon and Treasurer Jenna Ashbaugh, and her bonding company, Cincinnati Insurance Company, jointly and severally, in the amount of \$237 and in favor of Northwestern Local School District ARP ESSER fund, in the amount of \$237.
- Michele T. Mcgeean and Treasurer Jenna Ashbaugh, and her bonding company, Cincinnati Insurance Company, jointly and severally, in the amount of \$16, and in favor of Northwestern Local School District General fund, in the amount of \$16.
- Rebecca Kleinhenz and Treasurer Jenna Ashbaugh, and her bonding company, Cincinnati Insurance Company, jointly and severally, in the amount of \$388, and in favor of Northwestern Local School District General fund, in the amount of \$388.
- Michael Carroll and Treasurer Jenna Ashbaugh, and her bonding company, Cincinnati Insurance Company, jointly and severally, in the amount of \$10, and in favor of Northwestern Local School District General fund, in the amount of \$10.
- Ryan Hillard and Treasurer Jenna Ashbaugh, and her bonding company, Cincinnati Insurance Company, jointly and severally, in the amount of \$12, and in favor of Northwestern Local School District General fund, in the amount of \$12.

**FINDING NUMBER 2023-002**  
**(Continued)**

R. Kleinhenz had an additional \$388 withheld on May 20, 2024, which was then remitted directly to STRS. Finding considered repaid under audit.

M. Carroll has an additional \$10 withheld on May 20, 2024, which was then remitted directly to SERS. Finding considered repaid under audit.

M. Mcgeean, K. Cahoon, and R. Hillard wrote checks for their respective amounts and these were deposited into the District's accounts and properly posted to the General fund in the amount of \$265 on May 28, 2024. Findings are considered repaid under audit.

J. Caviano had an additional \$426 withheld on June 5, 2024, which was then remitted directly to STRS. Finding considered repaid under audit.

Treasurer, Jenna Ashbaugh, paid the District \$139 cash on June 28, 2024 and posted it to the District's General fund. Finding is considered repaid under audit.

The District should establish and implement procedures to verify that payments are made timely and retirement contributions are properly withheld from all employees. Failure to withhold and remit appropriate contribution amounts could lead to the assessment of penalties and late fees against the District.

**Officials' Response:**

The money identified in the finding for recovery has been recovered.



# Northwestern

## Local School District

5610 Troy Road  
Springfield, OH 45502  
northwestern.k12.Oh.us  
(937) 964-1318

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

Finding Number	Finding Summary	Status	Additional Information
2022-001	Ohio Rev. Code § 3318.05 (B)(C)(D) and 3318.08 (Q) Classroom facilities maintenance – Charging unallowable cost. First reported in FY2022.	Not Corrected	This was an occurrence again because of oversight. Repeated in the Management Letter.

**SUPERINTENDENT**

Daniel Bennett

**BOARD OFFICE  
SECRETARY**

Andrea Cox

**TREASURER**

Jenna Ashbaugh

**TECHNOLOGY  
DIRECTOR**

Kevin Graham

**PAYROLL DIRECTOR**

Angela Maxel

**HR/ACCOUNTING  
OFFICER**

Shari Hamilton

**FOOD SERVICE**

Jamie Fisher

**TRANSPORTATION**

Johanna Brents  
P (937) 964-1672.

**EMIS COORDINATOR**

Pam Clarkson

**MAINTENANCE**

Chris Howell  
P (937) 964-6004

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# Northwestern Local School District

5610 Troy Road  
Springfield, OH 45502  
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(937) 964-1318

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

<b>Finding Number:</b>	2023-001
<b>Planned Corrective Action:</b>	The District will review the current controls that are in place and work to implement controls to help ensure all transaction are reviewed to help ensure posting to the proper funds.
<b>Anticipated Completion Date:</b>	06/30/2024
<b>Responsible Contact Person:</b>	Jennifer Ashbaugh

**SUPERINTENDENT**

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SECRETARY**

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Jamie Fisher

**TRANSPORTATION**Johanna Brents  
P (937) 964-1672.**EMIS COORDINATOR**

Pam Clarkson

**MAINTENANCE**Chris Howell  
P (937) 964-6004

**BOARD OF EDUCATION** Matthew Cox, Andy Gundolf, Dr. Kevin Macy, Dr. Leigh Taylor, Eric Renegar

# OHIO AUDITOR OF STATE KEITH FABER



**NORTHWESTERN LOCAL SCHOOL DISTRICT**

**CLARK 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 8/13/2024**

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

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