



OHIO AUDITOR OF STATE
KEITH FABER



**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY
JUNE 30, 2022**

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CLARK COUNTY
JUNE 30, 2022**

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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 the Northwestern Local School District, Clark County, Ohio (the District), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwestern Local School District, Clark County, Ohio as of June 30, 2022, 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.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the District. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the financial statements, during 2022, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 liability/asset 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 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 May 11, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 11, 2023

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 2022. 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 2022 are as follows:

- In total, net position of governmental activities increased \$549,312 which represents a 2.96% increase from fiscal year 2021 net position.
- General revenues accounted for \$18,294,001 in revenue or 81.40% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,180,336 or 18.60% of total revenues of \$22,474,337.
- The District had \$21,925,025 in expenses related to governmental activities; only \$4,180,336 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 \$18,294,001 were adequate to provide for these programs.
- The District's major funds are the general fund and the bond retirement fund. The general fund had \$17,385,723 in revenues and \$18,067,118 in expenditures and other financing uses. During fiscal year 2022, the general fund's fund balance decreased \$681,395 from a balance of \$8,884,608 to a balance of \$8,203,213.
- The bond retirement fund had \$2,059,376 in revenues and \$1,533,524 in expenditures. During fiscal year 2022, the bond retirement fund's fund balance increased \$525,852 from a balance of \$10,721,169 to a balance of \$11,247,021.

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 2022?" 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, 2022
(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, 2022
(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, 2022 and June 30, 2021.

	Net Position	
	Governmental Activities 2022	Governmental Activities 2021
<u>Assets</u>		
Current and other assets	\$ 34,208,235	\$ 32,704,455
Net OPEB asset	1,294,301	1,084,151
Capital assets, net	<u>40,977,803</u>	<u>42,681,693</u>
Total assets	<u>76,480,339</u>	<u>76,470,299</u>
<u>Deferred outflows</u>		
Unamortized deferred charges	85,220	90,411
Pension	4,010,538	3,380,153
OPEB	<u>465,035</u>	<u>574,533</u>
Total deferred outflows	<u>4,560,793</u>	<u>4,045,097</u>
<u>Liabilities</u>		
Current liabilities	2,308,282	2,096,013
Long-term liabilities:		
Due within one year	417,818	491,766
Due in more than one year		
Net pension liability	10,283,634	19,611,740
Net OPEB liability	1,293,741	1,597,900
Other amounts	<u>29,083,161</u>	<u>29,171,258</u>
Total liabilities	<u>43,386,636</u>	<u>52,968,677</u>
<u>Deferred inflows</u>		
Property taxes levied for the next fiscal year	7,237,886	5,892,524
Pension	8,932,783	950,691
OPEB	<u>2,394,744</u>	<u>2,163,733</u>
Total deferred inflows	<u>18,565,413</u>	<u>9,006,948</u>
<u>Net Position</u>		
Net investment in capital assets	13,982,251	15,226,997
Restricted	14,604,531	13,849,065
Unrestricted (deficit)	<u>(9,497,699)</u>	<u>(10,536,291)</u>
Total net position	<u>\$ 19,089,083</u>	<u>\$ 18,539,771</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 2022, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$19,089,083. Of this total, \$14,604,531 is restricted in use.

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

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

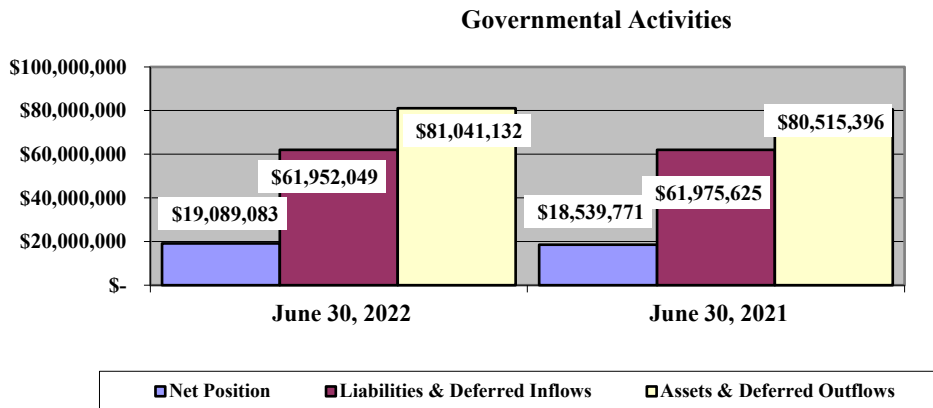
At year end, capital assets represented 53.58% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investments in capital assets at June 30, 2022, was \$13,982,251. These capital assets are used to provide services to 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.

The net pension liability decreased \$9,328,106 and deferred inflows of resources related to pension increased \$7,982,092. These changes were the result of changes at the retirement system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Net investment income on investments at both retirement systems exceeded estimates for the fiscal year 2021 measurement that are used for the fiscal year 2022 reporting which cause a large increase in fiduciary net position.

The net pension liability and the net OPEB liability/asset are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it’s the retirement systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

A portion of the District’s net position, \$14,604,531, represents resources that are subject to external restriction on how they may be used. Of this restricted balance, \$9,946,021 is restricted for debt service. The remaining balance of unrestricted net position is a deficit of \$9,497,699.

The graph below shows the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2022 and June 30, 2021.



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

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

The table below shows the change in net position for fiscal year 2022 and 2021.

Change in Net Position

	Governmental Activities	
	2022	2021
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 812,933	\$ 2,051,884
Operating grants and contributions	3,367,403	2,349,160
Capital grants and contributions	-	41,842
General revenues:		
Property taxes	7,946,507	8,026,229
School District income taxes	2,861,475	2,659,518
Grants and entitlements	8,218,347	9,286,757
Investment earnings	(809,502)	38,240
Miscellaneous	77,174	20,927
Total revenues	<u>22,474,337</u>	<u>24,474,557</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	8,946,332	11,219,461
Special	2,729,319	2,973,558
Other	410,329	-
Support services:		
Pupil	1,412,381	1,275,518
Instructional staff	989,865	983,189
Board of education	105,980	77,162
Administration	1,116,831	1,116,329
Fiscal	588,870	622,932
Operations and maintenance	1,825,340	1,598,090
Pupil transportation	1,068,754	1,107,511
Operation of non-instructional services:		
Food service operations	680,586	502,055
Other non-instructional services	31,210	28,415
Extracurricular activities	751,267	755,207
Interest and fiscal charges	1,267,961	1,562,524
Total expenses	<u>21,925,025</u>	<u>23,821,951</u>
Changes in net position	549,312	652,606
Net position at beginning of year	<u>18,539,771</u>	<u>17,887,165</u>
Net position at end of year	<u>\$ 19,089,083</u>	<u>\$ 18,539,771</u>

Governmental Activities

Net position of the District's governmental activities increased \$549,312. Total governmental expenses of \$21,925,025 were partially offset by program revenues of \$4,180,336 and general revenues of \$18,294,001. Program revenues supported 19.07% of the total governmental expenses.

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

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

For fiscal year 2022, District foundation funding received from the State of Ohio was funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding were directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the District were funded to the District who, in turn, made the payment to the educating school. This change in funding model resulted in a significant decrease in the amount of charges for services and sales and unrestricted grants and entitlements for fiscal year 2022 compared to fiscal year 2021. This change in funding model also resulted in a decrease in regular instruction expenses.

Operating grants and contributions increased due to revenues from the American Recovery Plan Act (ARPA). This funding is from the federal government and is associated with the COVID-19 pandemic.

Investment earnings decreased due to a decrease in the fair value of the District’s investments.

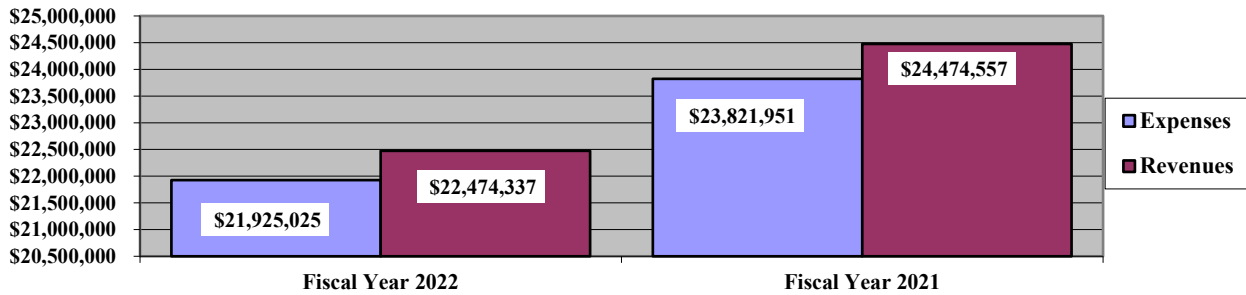
Income tax revenue increased due to a decrease in the unemployment rate during fiscal year 2022.

Overall, expenses of the governmental activities decreased \$1,896,926 or 7.96%. This decrease is primarily the result of a decrease in pension expense. Pension expense decreased approximately \$2,860,127. This decrease was the result of a decrease in expenses incurred at the retirement system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) due to an increase in net investment income on investments compared to previous years.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements not restricted to specific programs. These revenue sources represent 84.66% of total governmental revenue. Real estate property is reappraised every six years.

The graph below presents the District’s governmental activities revenue and expenses for fiscal year 2022 and 2021.

Governmental Activities - Revenues and Expenses



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

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

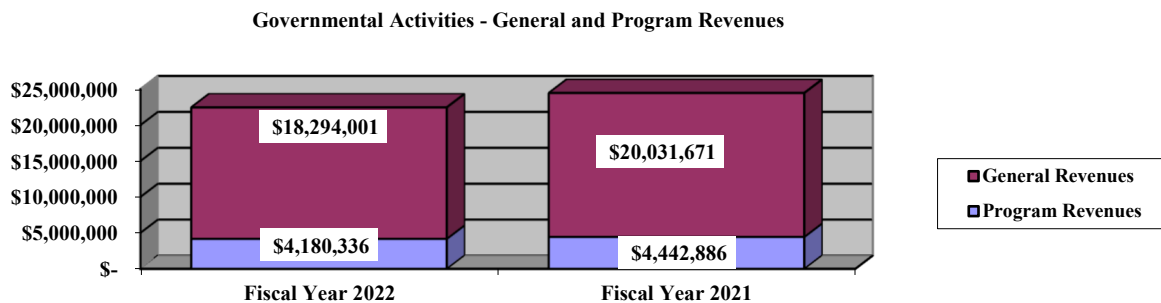
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

Governmental Activities

	Total Cost of Services 2022	Net Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2021
Program expenses:				
Instruction:				
Regular	\$ 8,946,332	\$ 8,313,673	\$ 11,219,461	\$ 9,483,016
Special	2,729,319	1,387,047	2,973,558	1,506,244
Other	410,329	(52,802)	-	-
Support services:				
Pupil	1,412,381	1,177,035	1,275,518	845,278
Instructional staff	989,865	808,355	983,189	904,745
Board of education	105,980	105,980	77,162	77,162
Administration	1,116,831	995,652	1,116,329	1,116,329
Fiscal	588,870	588,870	622,932	622,932
Operations and maintenance	1,825,340	1,794,709	1,598,090	1,463,052
Pupil transportation	1,068,754	1,012,697	1,107,511	1,014,513
Operation of non-instructional services:				
Food service operations	680,586	(177,207)	502,055	187,638
Other non-instructional services	31,210	2,817	28,415	14,424
Extracurricular activities	751,267	519,902	755,207	581,208
Interest, bond issuance costs and fiscal charges	<u>1,267,961</u>	<u>1,267,961</u>	<u>1,562,524</u>	<u>1,562,524</u>
Total expenses	<u>\$ 21,925,025</u>	<u>\$ 17,744,689</u>	<u>\$ 23,821,951</u>	<u>\$ 19,379,065</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 79.83% of instruction activities in fiscal year 2022 are supported through taxes and other general revenues. As for all governmental activities, general revenue support is 80.93%. 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 2022 and 2021.



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

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

The District's Funds

The District's governmental funds reported a combined fund balance of \$24,094,212 which is less than last year's total of \$24,158,889. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2022 and 2021.

	Fund Balance <u>June 30, 2022</u>	Fund Balance <u>June 30, 2021</u>	<u>Change</u>
General	\$ 8,203,213	\$ 8,884,608	\$ (681,395)
Bond retirement	11,247,021	10,721,169	525,852
Nonmajor governmental	<u>4,643,978</u>	<u>4,553,112</u>	<u>90,866</u>
Total	<u>\$ 24,094,212</u>	<u>\$ 24,158,889</u>	<u>\$ (64,677)</u>

General Fund

The District's general fund balance decreased \$681,395. Taxes increased due to income tax revenues increasing as a result of lower unemployment. Earnings on investments decreased due to a decrease in the fair value of the District's investments. Other revenues decreased mainly due to a decrease in tuition receipts as a result of the funding model changes discussed previously. Expenditures related to instructional activities decreased because of the funding model changes.

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

	<u>2022</u> <u>Amount</u>	<u>2021</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,752,167	\$ 8,680,888	0.82 %
Investment earnings	(98,707)	37,624	(362.35) %
Intergovernmental	8,159,365	8,157,144	0.03 %
Other revenues	<u>572,898</u>	<u>1,792,699</u>	(68.04) %
Total	<u>\$ 17,385,723</u>	<u>\$ 18,668,355</u>	(6.87) %
<u>Expenditures</u>			
Instruction	\$ 10,315,853	\$ 11,342,171	(9.05) %
Support services	6,866,109	5,880,821	16.75 %
Extracurricular activities	<u>411,116</u>	<u>381,866</u>	7.66 %
Total	<u>\$ 17,593,078</u>	<u>\$ 17,604,858</u>	(0.07) %

Bond Retirement Fund

The bond retirement fund had \$2,059,376 in revenues and \$1,533,524 in expenditures. During fiscal year 2022, the bond retirement fund's fund balance increased \$525,852 from a balance of \$10,721,169 to a balance of \$11,247,021.

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, 2022
(UNAUDITED)

For the general fund, original and final budgeted revenues and other financing sources were \$18,710,400 and \$18,250,400, respectively. Actual revenues and other financing sources for fiscal 2022 were \$18,571,468 which was \$321,068 greater than the final budgeted revenues.

General fund original expenditures and other financing uses of \$19,226,256 were decreased to \$18,907,264 in the final budget. The decrease was due to the new funding model that was implemented during fiscal year 2022. The actual budget basis expenditures and other financing uses for fiscal year 2022 totaled \$18,621,094, which was \$286,170 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the District had \$40,977,803 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, 2022 balances compared to June 30, 2021.

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

	Governmental Activities	
	2022	2021
Land	\$ 479,604	\$ 479,604
Land improvements	4,457,446	4,814,328
Building and improvements	34,570,966	35,806,425
Furniture and equipment	890,001	1,017,082
Vehicles	579,786	564,254
Total	\$ 40,977,803	\$ 42,681,693

The overall decrease in capital assets of \$1,703,890 is due to depreciation expense of \$2,003,011 exceeding capital outlays of \$299,121 in the current period.

See Note 9 to the basic financial statements for detail.

Debt Administration

At June 30, 2022, the District had \$25,775,000 in general obligation bonds and \$1,260,000 in a financed-purchase agreement outstanding. Of this total, \$345,000 is due within one year and \$26,690,000 is due within greater than one year. The following table summarizes the liabilities outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2022	Governmental Activities 2021
General obligation bonds	\$ 25,775,000	\$ 26,095,000
Financed purchase agreement	1,260,000	1,395,000
Total	\$ 27,035,000	\$ 27,490,000

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, 2022
(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.

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

STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 15,005,148
Receivables:	
Property taxes	8,255,794
Income taxes	1,090,905
Accounts	13,291
Accrued interest	54,308
Intergovernmental	580,031
Prepayments	30,778
Materials and supplies inventory	64,129
Inventory held for resale	10,796
Net OPEB asset	1,294,301
Restricted investments with trustee	9,103,055
Capital assets:	
Nondepreciable capital assets	479,604
Depreciable capital assets, net	40,498,199
Capital assets, net	40,977,803
Total assets	76,480,339
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	85,220
Pension	4,010,538
OPEB	465,035
Total deferred outflows of resources	4,560,793
Liabilities:	
Accounts payable	16,955
Accrued wages and benefits payable	1,782,891
Intergovernmental payable	217,985
Pension and postemployment benefits payable	272,566
Accrued interest payable	17,885
Long-term liabilities:	
Due within one year	417,818
Due in more than one year:	
Net pension liability	10,283,634
Net OPEB liability	1,293,741
Other amounts due in more than one year	29,083,161
Total liabilities	43,386,636
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	7,237,886
Pension	8,932,783
OPEB	2,394,744
Total deferred inflows of resources	18,565,413
Net position:	
Net investment in capital assets	13,982,251
Restricted for:	
Capital projects	2,974,511
Classroom facilities maintenance	974,247
Debt service	9,946,021
State funded programs	334,092
Food service operations	220,044
Student activities	149,871
Other purposes	5,745
Unrestricted (deficit)	(9,497,699)
Total net position	\$ 19,089,083

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, 2022

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 8,946,332	\$ 387,289	\$ 245,370	\$ (8,313,673)
Special	2,729,319	116,216	1,226,056	(1,387,047)
Other	410,329	-	463,131	52,802
Support services:				
Pupil	1,412,381	-	235,346	(1,177,035)
Instructional staff	989,865	-	181,510	(808,355)
Board of education	105,980	-	-	(105,980)
Administration	1,116,831	-	121,179	(995,652)
Fiscal	588,870	-	-	(588,870)
Operations and maintenance	1,825,340	14,931	15,700	(1,794,709)
Pupil transportation	1,068,754	1,442	54,615	(1,012,697)
Operation of non-instructional services:				
Food service operations	680,586	37,015	820,778	177,207
Other non-instructional services	31,210	28,393	-	(2,817)
Extracurricular activities	751,267	227,647	3,718	(519,902)
Interest and fiscal charges	1,267,961	-	-	(1,267,961)
Totals	<u>\$ 21,925,025</u>	<u>\$ 812,933</u>	<u>\$ 3,367,403</u>	<u>(17,744,689)</u>
General revenues:				
Property taxes levied for:				
				5,875,008
				1,766,284
				186,705
				118,510
Income taxes levied for:				
				2,861,475
Grants and entitlements not restricted				
				8,218,347
				(809,502)
				77,174
				<u>18,294,001</u>
				549,312
				<u>18,539,771</u>
				<u>\$ 19,089,083</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 8,765,823	\$ 2,398,256	\$ 3,841,069	\$ 15,005,148
Receivables:				
Property taxes	6,232,363	1,829,352	194,079	8,255,794
Income taxes	1,090,905	-	-	1,090,905
Accounts	13,291	-	-	13,291
Accrued interest	11,874	38,775	3,659	54,308
Intergovernmental	8,272	425,949	145,810	580,031
Prepayments	30,636	-	142	30,778
Materials and supplies inventory	56,728	-	7,401	64,129
Inventory held for resale	-	-	10,796	10,796
Due from other funds	59,445	-	-	59,445
Restricted assets:				
Restricted investments with trustee	-	8,156,573	946,482	9,103,055
Total assets	<u>\$ 16,269,337</u>	<u>\$ 12,848,905</u>	<u>\$ 5,149,438</u>	<u>\$ 34,267,680</u>
Liabilities:				
Accounts payable	\$ 16,524	\$ -	\$ 431	\$ 16,955
Accrued wages and benefits payable	1,601,000	-	181,891	1,782,891
Intergovernmental payable	215,310	-	2,675	217,985
Pension and postemployment benefits payable	242,223	-	30,343	272,566
Due to other funds	-	-	59,445	59,445
Total liabilities	<u>2,075,057</u>	<u>-</u>	<u>274,785</u>	<u>2,349,842</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	5,558,823	1,508,265	170,798	7,237,886
Delinquent property tax revenue not available	206,530	54,844	6,812	268,186
Income tax revenue not available	205,399	-	-	205,399
Intergovernmental revenue not available	-	-	49,406	49,406
Accrued interest not available	7,024	38,775	3,659	49,458
Miscellaneous revenue not available	13,291	-	-	13,291
Total deferred inflows of resources	<u>5,991,067</u>	<u>1,601,884</u>	<u>230,675</u>	<u>7,823,626</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	56,728	-	7,401	64,129
Prepays	30,636	-	142	30,778
Restricted:				
Debt service	-	11,247,021	946,482	12,193,503
Capital improvements	-	-	2,991,805	2,991,805
Food service operations	-	-	217,713	217,713
State funded programs	-	-	334,092	334,092
Extracurricular	-	-	149,871	149,871
Endowments	-	-	5,745	5,745
Committed:				
Latchkey programs	-	-	104,067	104,067
Assigned:				
Student instruction	177,480	-	-	177,480
Student and staff support	375,751	-	-	375,751
Extracurricular activities	5,995	-	-	5,995
Subsequent year's appropriations	155,091	-	-	155,091
Insurance reserve	71,475	-	-	71,475
Unassigned (deficit)	<u>7,330,057</u>	<u>-</u>	<u>(113,340)</u>	<u>7,216,717</u>
Total fund balances	<u>8,203,213</u>	<u>11,247,021</u>	<u>4,643,978</u>	<u>24,094,212</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 16,269,337</u>	<u>\$ 12,848,905</u>	<u>\$ 5,149,438</u>	<u>\$ 34,267,680</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, 2022

Total governmental fund balances		\$ 24,094,212
<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.		40,977,803
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 268,186	
Income taxes receivable	205,399	
Accounts receivable	13,291	
Accrued interest receivable	49,458	
Intergovernmental receivable	49,406	
Total		585,740
Unamortized premiums on debt issued are not recognized in the funds.		(1,422,506)
Unamortized deferred charges on debt are not recognized in the funds.		85,220
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(17,885)
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	4,010,538	
Deferred inflows - pension	(8,932,783)	
Net pension liability	(10,283,634)	
Deferred outflows - OPEB	465,035	
Deferred inflows - OPEB	(2,394,744)	
Net OPEB asset	1,294,301	
Net OPEB liability	(1,293,741)	
Total		(17,135,028)
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	(25,775,000)	
Financed purchase obligations	(1,260,000)	
Compensated absences	(1,043,473)	
Total		(28,078,473)
Net position of governmental activities		\$ 19,089,083

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, 2022

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 5,882,246	\$ 1,763,097	\$ 305,432	\$ 7,950,775
Income taxes	2,869,921	-	-	2,869,921
Intergovernmental	8,159,365	937,935	2,424,579	11,521,879
Investment earnings	(98,707)	(641,656)	(64,841)	(805,204)
Tuition and fees	352,602	-	54,833	407,435
Extracurricular	166,598	-	202,876	369,474
Rental income	14,931	-	-	14,931
Charges for services	-	-	37,015	37,015
Miscellaneous	38,767	-	59,059	97,826
Total revenues	<u>17,385,723</u>	<u>2,059,376</u>	<u>3,018,953</u>	<u>22,464,052</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,048,734	-	242,202	8,290,936
Special	2,266,185	-	621,223	2,887,408
Other	934	-	464,351	465,285
Support services:				
Pupil	1,493,162	-	2,245	1,495,407
Instructional staff	775,850	-	193,502	969,352
Board of education	107,625	-	-	107,625
Administration	1,162,077	17,705	123,079	1,302,861
Fiscal	626,295	30,269	3,307	659,871
Operations and maintenance	1,515,075	-	393,902	1,908,977
Pupil transportation	1,186,025	-	1,282	1,187,307
Operation of non-instructional services:				
Food service operations	-	-	698,366	698,366
Other non-instructional services	-	-	35,446	35,446
Extracurricular activities	411,116	-	209,156	620,272
Facilities acquisition and construction	-	-	165,416	165,416
Debt service:				
Principal retirement	-	320,000	135,000	455,000
Interest and fiscal charges	-	1,165,550	113,650	1,279,200
Total expenditures	<u>17,593,078</u>	<u>1,533,524</u>	<u>3,402,127</u>	<u>22,528,729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(207,355)</u>	<u>525,852</u>	<u>(383,174)</u>	<u>(64,677)</u>
Other financing sources (uses):				
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	(681,395)	525,852	90,866	(64,677)
Fund balances at beginning of year	<u>8,884,608</u>	<u>10,721,169</u>	<u>4,553,112</u>	<u>24,158,889</u>
Fund balances at end of year	<u>\$ 8,203,213</u>	<u>\$ 11,247,021</u>	<u>\$ 4,643,978</u>	<u>\$ 24,094,212</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, 2022

Net change in fund balances - total governmental funds	\$	(64,677)
<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	\$ 299,121	
Current year depreciation	(2,003,011)	
Total		(1,703,890)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(4,268)	
Income taxes	(8,446)	
Tuition	(15,922)	
Earnings on investments	(3,781)	
Intergovernmental	42,702	
Total		10,285
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.		
		455,000
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	541	
Amortization of bond premiums	15,889	
Amortization of deferred charges	(5,191)	
Total		11,239
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,488,659	
OPEB	46,566	
Total		1,535,225
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	487,740	
OPEB	127,234	
Total		614,974
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.		
		(308,844)
Change in net position of governmental activities	\$	549,312

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, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 6,131,800	\$ 6,131,800	\$ 7,009,506	\$ 877,706
Income taxes	2,551,000	2,551,000	2,707,290	156,290
Intergovernmental	8,096,000	8,751,000	8,155,055	(595,945)
Investment earnings	105,000	105,000	90,269	(14,731)
Tuition and fees	1,755,600	480,600	352,159	(128,441)
Rental income	11,000	11,000	14,931	3,931
Miscellaneous	10,000	10,000	24,084	14,084
Total revenues	<u>18,660,400</u>	<u>18,040,400</u>	<u>18,353,294</u>	<u>312,894</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,391,776	8,422,881	8,260,343	162,538
Special	2,346,975	2,429,899	2,298,265	131,634
Other	299	35	1,119	(1,084)
Support services:				
Pupil	1,328,908	1,353,758	1,491,556	(137,798)
Instructional staff	786,446	927,133	805,341	121,792
Board of education	95,945	97,800	118,724	(20,924)
Administration	1,097,306	1,118,018	1,132,352	(14,334)
Fiscal	565,125	576,050	612,685	(36,635)
Operations and maintenance	1,512,650	1,550,044	1,642,532	(92,488)
Pupil transportation	1,100,865	1,130,521	1,257,593	(127,072)
Extracurricular activities	407,576	415,456	408,034	7,422
Total expenditures	<u>18,633,871</u>	<u>18,021,595</u>	<u>18,028,544</u>	<u>(6,949)</u>
Excess of revenues over expenditures	<u>26,529</u>	<u>18,805</u>	<u>324,750</u>	<u>305,945</u>
Other financing sources (uses):				
Refund of prior year's expenditures	50,000	210,000	211,374	1,374
Transfers (out)	(582,385)	(875,669)	(592,550)	283,119
Advances in	-	-	6,800	6,800
Advances (out)	(10,000)	(10,000)	-	10,000
Total other financing sources (uses)	<u>(542,385)</u>	<u>(675,669)</u>	<u>(374,376)</u>	<u>301,293</u>
Net change in fund balance	(515,856)	(656,864)	(49,626)	607,238
Fund balance at beginning of year	8,127,517	8,127,517	8,127,517	-
Prior year encumbrances appropriated	44,037	44,037	44,037	-
Fund balance at end of year	<u>\$ 7,655,698</u>	<u>\$ 7,514,690</u>	<u>\$ 8,121,928</u>	<u>\$ 607,238</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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 84 non-certified employees including administrative employees and 105 certified full-time teaching personnel who provide services to 1,683 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, 2022

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, 2022

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, 2022

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 2022, 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, 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.

During fiscal year 2022, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

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 \$(98,707) which includes \$(20,619) 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, 2022

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, 2022, 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, 2022 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, 2022

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 position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 and Note 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include deferred charges 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 position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, 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, 2022, but which were levied to finance fiscal year 2023 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. For the District 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.

For the District, see Note 12 and Note 13 for deferred inflows of resources related to the District's 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

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

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

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

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.

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.

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

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

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

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.

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, 2022, 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 2022.

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

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

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

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.

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

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

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

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

GASB Statement No. 99 is 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, 2022 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
ESSER	\$ 2,206
Title VI-B	70,506
Title I	26,571
IDEA handicapped preschool	3,882
Supporting effective instruction	10,175

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.

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

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

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;
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.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, \$9,103,055 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, 2022, the carrying amount of all District deposits was \$7,837,702 and the bank balance of all District deposits was \$7,845,655. The entire bank balance was covered by the FDIC.

C. Investments

As of June 30, 2022, 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	\$ 391,099	\$ -	\$ -	\$ 96,296	\$ -	\$ 294,803
FHLB	311,427	-	-	-	191,326	120,101
U.S. Treasury Notes	838,280	-	-	222,543	-	615,737
U.S. Government Money						
Market Fund	2,522	2,522	-	-	-	-
Commercial Paper	2,520,180	2,031,484	488,696	-	-	-
Negotiable CDs	2,933,941	743,549	733,037	241,672	248,001	967,682
Amortized Cost:						
STAR Ohio	169,997	169,997	-	-	-	-
Total	<u>\$ 7,167,446</u>	<u>\$ 2,947,552</u>	<u>\$ 1,221,733</u>	<u>\$ 560,511</u>	<u>\$ 439,327</u>	<u>\$ 1,998,323</u>

The weighted average maturity of investments is 1.18 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 and FHLMC), 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.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair Value:		
FHLMC	\$ 391,099	5.46
FHLB	311,427	4.35
U.S. Treasury Notes	838,280	11.70
U.S. Government Money		
Market Fund	2,522	0.04
Commercial Paper	2,520,180	35.16
Negotiable CDs	2,933,941	40.93
Amortized Cost:		
STAR Ohio	<u>169,997</u>	<u>2.36</u>
Total	<u>\$ 7,167,446</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, 2022:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,837,702
Restricted investments with trustee	9,103,055
Investments	<u>7,167,446</u>
Total	<u>\$ 24,108,203</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 24,108,203</u>

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

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

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund loans

Interfund balances consisted of the following due to/from other funds at June 30, 2022, as reported on the fund statements:

<u>Due to the general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 59,445

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

Interfund transfers for the year ended June 30, 2022, consisted of the following, as reported in the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 474,040</u>

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

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2022, are available to finance fiscal year 2022 operations. The amount available as an 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). This amount is recorded as revenue. The amount available for advance at June 30, 2021 was \$1,475,761 in the general fund, \$356,620 in the bond retirement fund and \$48,527 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, 2022 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.

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 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 235,832,090	94.93	\$ 237,220,020	94.60
Public utility personal	<u>12,603,740</u>	<u>5.07</u>	<u>13,543,900</u>	<u>5.40</u>
Total	<u>\$ 248,435,830</u>	<u>100.00</u>	<u>\$ 250,763,920</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.81		\$39.41	

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 2022 on the modified accrual basis was \$2,869,921.

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

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2022 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:

Governmental activities

Property taxes	\$ 8,255,794
Income taxes	1,090,905
Accounts	13,291
Intergovernmental	580,031
Accrued interest	<u>54,308</u>
 Total governmental activities	 <u>\$ 9,994,329</u>

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year-ended June 30, 2022, was as follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Reclassification/ Deductions</u>	<u>Balance June 30, 2022</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	<u>\$ 479,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,604</u>
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	9,410,618	135,711	-	9,546,329
Buildings and improvements	45,484,024	-	-	45,484,024
Furniture and equipment	3,384,868	71,827	-	3,456,695
Vehicles	<u>2,087,736</u>	<u>91,583</u>	<u>-</u>	<u>2,179,319</u>
Total capital assets, being depreciated	<u>60,367,246</u>	<u>299,121</u>	<u>-</u>	<u>60,666,367</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(4,596,290)	(492,593)	-	(5,088,883)
Buildings and improvements	(9,677,599)	(1,235,459)	-	(10,913,058)
Furniture and equipment	(2,367,786)	(198,908)	-	(2,566,694)
Vehicles	<u>(1,523,482)</u>	<u>(76,051)</u>	<u>-</u>	<u>(1,599,533)</u>
Total accumulated depreciation	<u>(18,165,157)</u>	<u>(2,003,011)</u>	<u>-</u>	<u>(20,168,168)</u>
Governmental activities capital assets, net	<u>\$ 42,681,693</u>	<u>\$ (1,703,890)</u>	<u>\$ -</u>	<u>\$ 40,977,803</u>

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

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

NOTE 9 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,578,713
Support services:	
Instructional staff	89,255
Fiscal	1,553
Operations and maintenance	38,663
Pupil transportation	76,327
Operation of non instructional services:	
Food service operations	35,268
Extracurricular activities	<u>183,232</u>
Total depreciation expense	<u>\$ 2,003,011</u>

NOTE 10 - LONG-TERM OBLIGATIONS

During the fiscal year 2022, the following changes occurred in governmental activities long-term obligations.

	<u>Balance</u> <u>June 30, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Amounts</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	9,710,000	-	(320,000)	9,390,000	205,000
Financed purchase obligation					
from direct borrowing	1,395,000	-	(135,000)	1,260,000	140,000
Net pension liability	19,611,740	-	(9,328,106)	10,283,634	-
Net OPEB liability	1,597,900	-	(304,159)	1,293,741	-
Compensated absences	<u>734,629</u>	<u>1,043,473</u>	<u>(734,629)</u>	<u>1,043,473</u>	<u>72,818</u>
Total	<u>\$ 49,434,269</u>	<u>\$ 1,043,473</u>	<u>\$(10,821,894)</u>	39,655,848	<u>\$ 417,818</u>
Add: Unamortized premium on refunding				<u>1,422,506</u>	
Total on statement of net position				<u>\$ 41,078,354</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.

The District's total debt limitation was \$33,815,774 with an unvoted debt margin of \$250,764 and an energy conservation debt margin of \$2,256,875 at June 30, 2022. 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.

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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:

Series 2010, Qualified School Construction Bonds - Building			
Fiscal Year Ending,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 48,000	\$ 48,000
2024	-	48,000	48,000
2025	-	48,000	48,000
2026	-	48,000	48,000
2027	<u>15,000,000</u>	<u>24,000</u>	<u>15,024,000</u>
Total	<u>\$ 15,000,000</u>	<u>\$ 216,000</u>	<u>\$ 15,216,000</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.

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:

Series 2011, Qualified School Construction Bonds - HB 264			
Fiscal Year Ending,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 6,925	\$ 6,925
2024	-	6,925	6,925
2025	-	6,925	6,925
2026	<u>1,385,000</u>	<u>3,463</u>	<u>1,388,463</u>
Total	<u>\$ 1,385,000</u>	<u>\$ 24,238</u>	<u>\$ 1,409,238</u>

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%.

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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, 2022 of \$1,376,734 is not included in the net position component “net investment in capital assets”.

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>	<u>Series 2021, Refunding School Improvement Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 205,000	\$ 284,675	\$ 489,675
2024	140,000	279,500	419,500
2025	90,000	276,050	366,050
2026	-	274,700	274,700
2027	-	274,700	274,700
2028-2032	3,210,000	1,119,975	4,329,975
2033-2037	4,050,000	566,850	4,616,850
2038-2039	<u>1,695,000</u>	<u>49,575</u>	<u>1,744,575</u>
Total	<u>\$ 9,390,000</u>	<u>\$ 3,126,025</u>	<u>\$ 12,516,025</u>

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.

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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 2022, the District made principal and interest payments of \$135,000 and \$33,320, respectively, from the permanent improvement fund (a nonmajor governmental fund).

Capital assets consisting of building and improvements have been capitalized. At June 30, 2022, capital assets in the amount of \$3,023,401 have been recorded as buildings and improvements. Accumulated depreciation at June 30, 2022 was \$544,620 leaving a book value of \$2,478,781.

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
2023	\$ 140,000	\$ 29,869	\$ 169,869
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
2028-2030	510,000	19,453	529,453
Total	<u>\$ 1,260,000</u>	<u>\$ 131,775</u>	<u>\$ 1,391,775</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 2022, 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. Coverage provided by the LFP is on the following page.

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

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

NOTE 11 - RISK MANAGEMENT - (Continued)

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.

B. Workers' Compensation

For fiscal year 2022, 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/asset 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.

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	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.

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

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

The District's contractually required contribution to SERS was \$357,611 for fiscal year 2022. Of this amount, \$35,469 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.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 at age 50 and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013 must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The District's contractually required contribution to STRS was \$1,131,048 for fiscal year 2022. Of this amount, \$190,528 is reported as 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the 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	0.070842200%	0.061687120%	
Proportion of the net pension liability current measurement date	<u>0.065986700%</u>	<u>0.061387288%</u>	
Change in proportionate share	<u>-0.004855500%</u>	<u>-0.000299832%</u>	
Proportionate share of the net pension liability	\$ 2,434,718	\$ 7,848,916	\$ 10,283,634
Pension expense	\$ (145,574)	\$ (342,166)	\$ (487,740)

**NORTHWESTERN LOCAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2022, 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>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 235	\$ 242,494	\$ 242,729
Changes of assumptions	51,268	2,177,431	2,228,699
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	13,725	36,726	50,451
Contributions subsequent to the measurement date	<u>357,611</u>	<u>1,131,048</u>	<u>1,488,659</u>
Total deferred outflows of resources	<u>\$ 422,839</u>	<u>\$ 3,587,699</u>	<u>\$ 4,010,538</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 63,142	\$ 49,196	\$ 112,338
Net difference between projected and actual earnings on pension plan investments	1,253,954	6,764,262	8,018,216
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>175,958</u>	<u>626,271</u>	<u>802,229</u>
Total deferred inflows of resources	<u>\$ 1,493,054</u>	<u>\$ 7,439,729</u>	<u>\$ 8,932,783</u>

\$1,488,659 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, 2023.

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:			
2023	\$ (405,690)	\$ (1,292,600)	\$ (1,698,290)
2024	(339,104)	(1,154,219)	(1,493,323)
2025	(298,146)	(1,174,647)	(1,472,793)
2026	<u>(384,886)</u>	<u>(1,361,612)</u>	<u>(1,746,498)</u>
Total	<u>\$ (1,427,826)</u>	<u>\$ (4,983,078)</u>	<u>\$ (6,410,904)</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)

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.

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

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

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

**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)

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

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

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

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

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

Discount Rate - The total pension liability 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.

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 4,050,773	\$ 2,434,718	\$ 1,071,828

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

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, 2021, actuarial valuation, compared with June 30, 2020, actuarial valuation are presented below:

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

For the June 30, 2021 actuarial valuation, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 14,698,083	\$ 7,848,916	\$ 2,061,386

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

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 under Employers/Audit Resources.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$46,566.

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 \$46,566 for fiscal year 2022. Of this amount, \$46,566 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 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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

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

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	0.073523200%	0.061687120%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.068358500%</u>	<u>0.061387288%</u>	
Change in proportionate share	<u>-0.005164700%</u>	<u>-0.000299832%</u>	
Proportionate share of the net OPEB liability	\$ 1,293,741	\$ -	\$ 1,293,741
Proportionate share of the net OPEB asset	\$ -	\$ 1,294,301	\$ 1,294,301
OPEB expense	\$ (26,147)	\$ (101,087)	\$ (127,234)

At June 30, 2022, 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>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 13,791	\$ 46,089	\$ 59,880
Changes of assumptions	202,958	82,674	285,632
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	53,122	19,835	72,957
Contributions subsequent to the measurement date	<u>46,566</u>	<u>-</u>	<u>46,566</u>
Total deferred outflows of resources	<u>\$ 316,437</u>	<u>\$ 148,598</u>	<u>\$ 465,035</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 644,340	\$ 237,138	\$ 881,478
Net difference between projected and actual earnings on OPEB plan investments	28,106	358,759	386,865
Changes of assumptions	177,165	772,143	949,308
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>138,808</u>	<u>38,285</u>	<u>177,093</u>
Total deferred inflows of resources	<u>\$ 988,419</u>	<u>\$ 1,406,325</u>	<u>\$ 2,394,744</u>

\$46,566 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, 2023.

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

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:	SERS	STRS	Total
2023	\$ (157,039)	\$ (364,210)	\$ (521,249)
2024	(157,235)	(355,229)	(512,464)
2025	(153,824)	(335,110)	(488,934)
2026	(132,150)	(152,592)	(284,742)
2027	(79,199)	(51,740)	(130,939)
Thereafter	(39,101)	1,154	(37,947)
Total	\$ (718,548)	\$ (1,257,727)	\$ (1,976,275)

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, 2022

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, 2021, compared with June 30, 2020, are presented below:

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

In 2021, Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

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

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

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,603,101	\$ 1,293,741	\$ 1,046,601

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 996,074	\$ 1,293,741	\$ 1,691,332

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, compared with June 30, 2020, are presented below:

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

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

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

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

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - 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.

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

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

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021. 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 these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care 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, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB asset	\$ 1,092,190	\$ 1,294,301

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB asset	\$ 1,456,293	\$ 1,294,301

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

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

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

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 Trustmark, 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 (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 \$140,142 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.

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 \$2,506,173 for its medical, dental and vision insurances 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.

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

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 2022. 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 \$5,464 during 2022 for membership dues.

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. Payments to SOEPC are made from the General fund. During fiscal year 2022, the District paid \$2,506,173 for its medical, dental and vision insurances 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.

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

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

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

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

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, the net impact of FTE adjustments for fiscal year 2022 resulted in a receivable from ODE in the amount of \$4,310.

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);
- (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).

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

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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:

	<u>General fund</u>
Budgetary basis	\$ (49,626)
Net adjustment for revenue accruals	(1,149,297)
Net adjustment for expenditure accruals	151,542
Net adjustment for other sources/uses	(99,664)
Funds budgeted elsewhere	32,301
Adjustment for encumbrances	433,349
GAAP basis	\$ (681,395)

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, 2021	\$ -
Current year set-aside requirement	280,894
Current year qualifying expenditures	(91,583)
Current year offsets	(189,311)
Total	\$ -
Balance carried forward to fiscal year 2023	\$ -
Set-aside balance June 30, 2022	\$ -

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, 2022.

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

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	\$ 420,053
Nonmajor governmental	<u>497,350</u>
Total	<u>\$ 917,403</u>

NOTE 20 - COVID-19

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

**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 NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	0.06598670%	0.07084220%	0.06949080%	0.06896440%
District's proportionate share of the net pension liability	\$ 2,434,718	\$ 4,685,652	\$ 4,157,756	\$ 3,949,719
District's covered payroll	\$ 2,377,121	\$ 2,347,393	\$ 2,225,111	\$ 2,433,067
District's proportionate share of the net pension liability as a percentage of its covered payroll	102.42%	199.61%	186.86%	162.33%
Plan fiduciary net position as a percentage of the total pension liability	82.86%	68.55%	70.85%	71.36%

Note: Information prior to 2014 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.06914430%	0.06437350%	0.06465960%	0.06688600%	0.06688600%
\$ 4,131,219	\$ 4,711,546	\$ 3,689,539	\$ 3,385,062	\$ 3,977,496
\$ 2,346,943	\$ 2,075,021	\$ 1,946,593	\$ 1,943,579	\$ 1,947,312
176.03%	227.06%	189.54%	174.17%	204.26%
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 NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	0.061387288%	0.061687120%	0.064955040%	0.066306430%
District's proportionate share of the net pension liability	\$ 7,848,916	\$ 14,926,088	\$ 14,364,417	\$ 14,579,295
District's covered payroll	\$ 7,632,714	\$ 7,444,657	\$ 7,593,200	\$ 7,570,236
District's proportionate share of the net pension liability as a percentage of its covered payroll	102.83%	200.49%	189.17%	192.59%
Plan fiduciary net position as a percentage of the total pension liability	87.78%	75.48%	77.40%	77.31%

Note: Information prior to 2014 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.065193190%	0.067100350%	0.064801610%	0.065455590%	0.065455590%
\$ 15,486,782	\$ 22,460,510	\$ 17,909,270	\$ 15,921,065	\$ 18,965,068
\$ 7,260,107	\$ 7,114,214	\$ 6,760,964	\$ 6,687,754	\$ 6,701,808
213.31%	315.71%	264.89%	238.06%	282.98%
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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 357,611	\$ 332,797	\$ 328,635	\$ 300,390
Contributions in relation to the contractually required contribution	<u>(357,611)</u>	<u>(332,797)</u>	<u>(328,635)</u>	<u>(300,390)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,554,364	\$ 2,377,121	\$ 2,347,393	\$ 2,225,111
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 328,464	\$ 328,572	\$ 290,503	\$ 256,561	\$ 269,380	\$ 269,508
<u>(328,464)</u>	<u>(328,572)</u>	<u>(290,503)</u>	<u>(256,561)</u>	<u>(269,380)</u>	<u>(269,508)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,433,067	\$ 2,346,943	\$ 2,075,021	\$ 1,946,593	\$ 1,943,579	\$ 1,947,312
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

**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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 1,131,048	\$ 1,068,580	\$ 1,042,252	\$ 1,063,048
Contributions in relation to the contractually required contribution	<u>(1,131,048)</u>	<u>(1,068,580)</u>	<u>(1,042,252)</u>	<u>(1,063,048)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,078,914	\$ 7,632,714	\$ 7,444,657	\$ 7,593,200
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 1,059,833	\$ 1,016,415	\$ 995,990	\$ 946,535	\$ 869,408	\$ 871,235
<u>(1,059,833)</u>	<u>(1,016,415)</u>	<u>(995,990)</u>	<u>(946,535)</u>	<u>(869,408)</u>	<u>(871,235)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,570,236	\$ 7,260,107	\$ 7,114,214	\$ 6,760,964	\$ 6,687,754	\$ 6,701,808
14.00%	14.00%	14.00%	14.00%	13.00%	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 SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net OPEB liability	0.06835850%	0.07352320%	0.07132010%	0.07021660%
District's proportionate share of the net OPEB liability	\$ 1,293,741	\$ 1,597,900	\$ 1,793,551	\$ 1,947,998
District's covered payroll	\$ 2,377,121	\$ 2,347,393	\$ 2,225,111	\$ 2,433,067
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	54.42%	68.07%	80.61%	80.06%
Plan fiduciary net position as a percentage of the total OPEB liability	24.08%	18.17%	15.57%	13.57%

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>2018</u>	<u>2017</u>
0.07023220%	0.06533542%
\$ 1,884,848	\$ 1,862,301
\$ 2,346,943	\$ 2,075,021
80.31%	89.75%
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 SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net OPEB liability/asset	0.061387288%	0.061687120%	0.064955040%	0.066306430%
District's proportionate share of the net OPEB liability/(asset)	\$ (1,294,301)	\$ (1,084,151)	\$ (1,075,811)	\$ (1,065,477)
District's covered payroll	\$ 7,632,714	\$ 7,444,657	\$ 7,593,200	\$ 7,570,236
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	16.96%	14.56%	14.17%	14.07%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.73%	182.10%	174.70%	176.00%

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>2018</u>	<u>2017</u>
0.065193190%	0.067100350%
\$ 2,543,598	\$ 3,588,544
\$ 7,260,107	\$ 7,114,214
35.04%	50.44%
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			
	2022	2021	2020	2019
Contractually required contribution	\$ 46,566	\$ 45,381	\$ 47,282	\$ 55,153
Contributions in relation to the contractually required contribution	(46,566)	(45,381)	(47,282)	(55,153)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,554,364	\$ 2,377,121	\$ 2,347,393	\$ 2,225,111
Contributions as a percentage of covered payroll	1.82%	1.91%	2.01%	2.48%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 51,219	\$ 38,587	\$ 33,489	\$ 50,201	\$ 36,952	\$ 37,154
<u>(51,219)</u>	<u>(38,587)</u>	<u>(33,489)</u>	<u>(50,201)</u>	<u>(36,952)</u>	<u>(37,154)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,433,067	\$ 2,346,943	\$ 2,075,021	\$ 1,946,593	\$ 1,943,579	\$ 1,947,312
2.11%	1.64%	1.61%	2.58%	1.90%	1.91%

**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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</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	\$ 8,078,914	\$ 7,632,714	\$ 7,444,657	\$ 7,593,200
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ -	\$ -	\$ -	\$ 67,934	\$ 67,018
-	-	-	-	(67,934)	(67,018)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,570,236	\$ 7,260,107	\$ 7,114,214	\$ 6,760,964	\$ 6,687,754	\$ 6,701,808
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- 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%.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.
- 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%.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016.
- 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 Weight Below Median Healthy Retiree mortality table.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- 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.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PENSION (CONTINUED)

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017.
- 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%.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2017-2022.

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) 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%.
- 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 2.63% to 2.27% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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.

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.
- 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.

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**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	(1) Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
COVID-19 Pandemic EBT Administrative Costs	10.649	N/A	\$ 614
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	147,030
National School Lunch Program	10.555	N/A	530,448
COVID-19 Special Milk Program for Children	10.556	N/A	13,733
Total Child Nutrition Cluster			<u>691,211</u>
Total U.S. Department of Agriculture			<u>691,825</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	268,323
Special Education Cluster (IDEA)			
Special Education Grants to States:			
Special Education Grants to States	84.027	N/A	348,889
COVID-19 Special Education Grants to States	84.027X	N/A	16,023
Total Special Education Grants to States			<u>364,912</u>
Special Education Preschool Grants:			
Special Education Preschool Grants	84.173	N/A	10,573
COVID-19 Special Education Preschool Grants	84.173X	N/A	3,790
Total Special Education Preschool Grants			<u>14,363</u>
Total Special Education Cluster (IDEA)			<u>379,275</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	N/A	41,727
Student Support and Academic Enrichment Program	84.424	N/A	10,223
COVID-19 Education Stabilization Fund:			
COVID-19 Education Stabilization Fund	84.425D	N/A	697,826
COVID-19 Education Stabilization Fund	84.425U	N/A	135,903
Total COVID-19 Education Stabilization Fund			<u>833,729</u>
Total U.S. Department of Education			<u>1,533,277</u>
Total Expenditures of Federal Awards			<u>\$ 2,225,102</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, 2022**

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, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or change 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, 2022, the District had no significant food commodities in inventory.

OHIO AUDITOR OF STATE KEITH FABER



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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 the Northwestern Local School District, Clark County (the District) as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 11, 2023, wherein we noted the financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the District. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement 87, *Leases*.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 2022-001 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 matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-001.

District's Response to Finding

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 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

May 11, 2023



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

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, (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, 2022. 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, 2022.

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

May 11, 2023

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**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2022-001

Noncompliance and Material Weakness

Ohio Rev. Code § 3318.05(B) provides that a tax may be levied whereas the proceeds of which shall be used to pay the cost of maintaining or upgrading the classroom facilities included in the project.

**FINDING NUMBER 2022-001
(Continued)**

Ohio Rev. Code § 3318.05(C) provides that if a school district has in place a tax levied under section 5705.21 of the Revised Code for general permanent improvements for a continuing period of time and the proceeds of such tax can be used for maintenance or upgrades, or if a district agrees to the transfers described in section 3318.051 of the Revised Code, the school district need not levy the additional tax required under division (B) of this section, provided the school district board includes in the agreement entered into under section 3318.08 of the Revised Code provisions (1) Earmarking an amount from the proceeds of that permanent improvement tax for maintenance or upgrades of classroom facilities equivalent to the amount of the additional tax and for the equivalent number of years otherwise required under this section.

Ohio Rev. Code § 3318.05(D) provides that proceeds of the tax to be used for maintenance or upgrade of the classroom facilities under either division (B) or (C)(1) of this section shall be deposited into a separate fund established by the school district for such purpose.

Ohio Rev. Code § 3318.08(Q) provides that the Ohio Facilities Construction Commission shall enter into a written agreement with the District for the construction of new facilities which shall include a provision requiring the District to adhere to a facilities maintenance plan approved by the Commission.

The Northwestern Local School District's Classroom Facilities Maintenance Plan (the Plan) approved by the Ohio Facilities Construction Commission (OFCC), under Section IV, discusses the Maintenance Plan and the requirements of maintenance of completed facilities and provides that the maintenance fund can only be used to maintain and repair completed facilities as identified in the Plan, including preventative maintenance, periodic repairs, and the replacement of facility components. Furthermore, Exhibit A to the Plan, referenced in Section IV.A, includes the resolution by which the District had authorized earmarking an amount to satisfy the Maintenance of Completed Facilities as specified in Section IV.A pursuant to Ohio Rev. Code § 3318.05(C).

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 disclosures 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 controls over financial reporting, during fiscal year 2022, the District expended \$153,130 from the Classroom Facilities Maintenance Fund ("Maintenance Fund") for the purchase of a new salt spreader and design and construction of a new salt storage barn, which are not permissible expenditures of the fund under Ohio Revised Code § 3318.05 and was not in accordance with the District's Plan. The District's accounting records and financial statements have been adjusted to post the expenditures to the Permanent Improvement fund.

Furthermore, we also identified additional misstatements ranging from \$12,696 to \$500,642 which were immaterial to the financial statements and did not require adjustment; however, we have brought those items to the District's attention.

**FINDING NUMBER 2022-001
(Continued)**

The expenditure of Maintenance Fund funds for purposes that are not allowable under the statutory requirements of Ohio Revised Code § 3318.05 and not in accordance with the District's agreed-upon Maintenance Plan could result in the District not having sufficient funds to meet the actual maintenance needs of facilities constructed under the Classroom Facilities Assistance Program. 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 or comply with budgetary laws and could result in materially misstated reports.

The District should review the agreed-upon Classroom Facilities Maintenance Plan to verify expenditures from the Maintenance Fund are in accordance with the Plan as well as the underlying statutory requirements and the District should implement additional procedures to provide assurance over the accuracy of information reported within the financial statements and to assist in the effective management and reporting of financial resources.

Officials' Response

See Corrective Action Plan on page 99.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Northwestern

Local School District

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Springfield, OH 45502
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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2022

Finding Number: 2022-001
Planned Corrective Action: The district will review the Classroom Facilities Maintenance Plan to verify expenditures from the Maintenance fund are in accordance with the Plan.
Anticipated Completion Date: 06/30/2023
Responsible Contact Person: Jennifer Ashbaugh, Treasurer

SUPERINTENDENT

Jesse D. Steiner

TREASURER

Jenna Ashbaugh

BOARD OFFICE

SECRETARY

Andrea Cox

EMIS COORDINATOR

Pam Clarkson

HR/ACCOUNTING

OFFICER

Shari Hamilton

PAYROLL DIRECTOR

Angela Maxel

FOOD SERVICE

Jamie Fisher

TRANSPORTATION

Johanna Brents

P (937) 964-1672

MAINTENANCE

Chris Howell

P (937) 964-6004

BOARD OF EDUCATION Karen Elder, Andy Gundolf, Dr. Kevin Macy, Dr. Leigh Taylor, Joe Tedeschi

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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 6/13/2023

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

This report is a matter of public record and is available online at
www.ohioauditor.gov