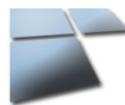


NORTHWEST LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY  
SINGLE AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023



*Millhuff-Stang*

CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.

8841 Ohio River Road / Wheelersburg, Ohio 45694 / Phone: 740.876.8548

45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978

Fax: 888.876.8549

[natalie@millhuffstangcpa.com](mailto:natalie@millhuffstangcpa.com) / [roush@millhuffstangcpa.com](mailto:roush@millhuffstangcpa.com)

[www.milhuffstangcpa.com](http://www.milhuffstangcpa.com)



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Education  
Northwest Local School District  
800 Mohawk Drive  
McDermott, Ohio 45652

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

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

March 18, 2024

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**Northwest Local School District**  
**Scioto County**  
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For the Fiscal Year Ended June 30, 2023

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**Independent Auditor's Report**

Board of Education  
Northwest Local School District  
800 Mohawk Drive  
McDermott, Ohio 45652

**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 Northwest Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School 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 Northwest Local School District, Scioto County, Ohio, as of June 30, 2023, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and ESSER Fund for the year then ended in accordance with 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 (*Government Auditing Standards*). 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 School 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 21 to the financial statements for the fiscal year ended June 30, 2023, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding 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 School 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 School 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 School 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, the schedules of the District's proportionate share of the net pension liability, the schedules of the District's proportionate share of the net OPEB liability (asset), and the schedules of District 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.

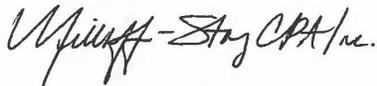
***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School 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 (Uniform Guidance)*, 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 January 26, 2024 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 School 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 School District's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

January 26, 2024

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**Northwest Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

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

**Financial Highlights**

- The School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$11,235,100.
- The School District's net position of governmental activities increased \$1,531,537.
- General revenues accounted for \$17,657,309 or 68 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$8,276,797 or 32 percent of total revenues of \$25,934,106.
- The School District had \$24,402,569 in expenses related to governmental activities; \$8,276,797 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions.

**Using This Annual Financial Report**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The statement of net position and statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's 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 the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

**Reporting the School District as a Whole**

These statements provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account nonfinancial factors that also impact the School District's financial well-being. Some of these factors include the condition of capital assets and required educational support services to be provided.

**Northwest Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

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In the statement of net position and the statement of activities, the School District has only one kind of activity.

- Governmental activities. All of the School District's programs and services are reported here including instruction and support services.

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

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's major funds are the general fund and the ESSER special revenue fund.

*Governmental Funds*

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

*Fiduciary Funds*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. The School District's only fiduciary fund is a custodial fund used to account for tournament activity collected for and distributed to other organizations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. Fiduciary funds use the accrual basis of accounting.

**Northwest Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

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**The School District as a Whole**

As stated previously, the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2023 compared to 2022.

Table 1  
Net Position

	2023	2022
Assets:		
Current and Other Assets	\$14,066,884	\$12,170,917
Capital Assets, Net	25,784,900	25,773,426
Total Assets	39,851,784	37,944,343
Deferred Outflows of Resources	5,389,097	5,181,423
Liabilities:		
Current and Other Liabilities	2,813,320	2,472,240
Long-Term Liabilities	24,395,313	17,142,458
Total Liabilities	27,208,633	19,614,698
Deferred Inflows of Resources	6,797,148	13,807,505
Net Position:		
Net Investment in Capital Assets	23,547,749	23,250,900
Restricted	1,178,532	852,515
Unrestricted (Deficit)	(13,491,181)	(14,399,852)
Total Net Position	\$11,235,100	\$9,703,563

Total net position of the School District as a whole increased \$1,531,537. Current and other assets increased \$1,895,967, due primarily to increases in cash balances and property taxes receivable, and the net OPEB asset. Capital assets increased \$11,474, due to current year additions exceeding depreciation and disposals. Deferred outflows of resources increased \$207,674, due to changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities. Current and other liabilities increased \$341,080 due to increases in accounts payable, intergovernmental payables, and matured compensated absences. Long-term liabilities increased \$7,252,855, due primarily to an increase in the net pension liability, which was partially offset by principal payments on long-term debt. Deferred inflows of resources decreased \$7,010,357, due to changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities (assets).

**Northwest Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2023  
Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2023 and 2022.

Table 2  
Change in Net Position

	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$544,264	\$393,692
Operating Grants and Contributions	7,732,533	6,934,786
Total Program Revenues	<u>8,276,797</u>	<u>7,328,478</u>
General Revenues:		
Taxes Levied for:		
General Purposes	3,183,487	1,859,207
Permanent Improvement	80,761	47,164
Grants and Entitlements, Not Restricted to Specific Programs	13,950,071	14,297,088
Insurance Recoveries	25,434	10,160
Investment Earnings	135,278	(70,183)
Miscellaneous	282,278	21,800
Total General Revenues	<u>17,657,309</u>	<u>16,165,236</u>
Total Revenues	<u>25,934,106</u>	<u>23,493,714</u>
Program Expenses:		
Instruction:		
Regular	11,520,976	9,385,010
Special	2,691,134	2,517,669
Vocational	104,634	139,984
Student Intervention Services	15,120	8,161
Other	32,250	22,250
Support Services:		
Pupils	1,083,468	860,667
Instructional Staff	541,706	595,242
Board of Education	86,017	80,056
Administration	1,593,511	1,469,453
Fiscal	428,458	360,057
Business	32,245	0
Operation and Maintenance of Plant	2,490,510	2,443,118
Pupil Transportation	1,745,727	1,663,608
Central	121,396	90,774
Operation of Noninstructional Services	1,030,860	844,163
Extracurricular Activities	801,244	717,287
Interest on Long-Term Debt	83,313	157,177
Total Expenses	<u>24,402,569</u>	<u>21,354,676</u>
Change in Net Position	1,531,537	2,139,038
Net Position at Beginning of Year	9,703,563	7,564,525
Net Position at End of Year	<u>\$11,235,100</u>	<u>\$9,703,563</u>

**Northwest Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

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Charges for services and sales increased between years due to increases in tuition and fees and lunchroom sales. Operating grants and contributions increased due to an increase in ESSER grant funding recognized. Investment earnings increased due to an increase in interest revenues and a reduction in the decrease in fair value of investments recognized between years. Miscellaneous revenues increased due to an increase in refunds received.

Many expenses experienced increased due to an increase in net pension and OPEB expenses, which totaled \$1,757,844 for the fiscal year as compared to \$8,679 recognized for the prior fiscal year. Expenses also increased due to spending on additional ESSER funding received.

**Governmental Activities**

Grants and entitlements not restricted to specific programs comprised 54 percent of revenue for governmental activities, while operating grants and contributions comprised 30 percent of revenue for governmental activities, and property taxes comprised 13 percent of revenue for governmental activities of the School District for fiscal year 2023.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 47 percent of governmental program expenses while special instruction comprised 11 percent of governmental expenses. Administration, operation and maintenance of plant, and pupil transportation expenses comprised 7 percent, 10 percent, and 7 percent, respectively.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 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 unrestricted State entitlements and other general revenues.

Table 3  
 Total and Net Cost of Program Services

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction	\$14,364,114	\$12,073,074	\$9,052,468	\$7,585,158
Support Services	8,123,038	7,562,975	6,285,228	5,903,891
Operation of Noninstructional Services	1,030,860	844,163	8,429	(232,796)
Extracurricular Activities	801,244	717,287	696,334	612,768
Interest on Long-Term Debt	83,313	157,177	83,313	157,177
<b>Total Expenses</b>	<b>\$24,402,569</b>	<b>\$21,354,676</b>	<b>\$16,125,772</b>	<b>\$14,026,198</b>

**The School District's Funds**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$26,133,112 and expenditures and other financing uses of \$25,441,390. The net change in fund balance for the year was most significant in the general fund.

The fund balance of the general fund increased in the amount of \$446,264. This was a result of revenues and other financing sources in excess of expenditures and other financing uses. Total expenditures remained relatively consistent between years, whereas revenues increased significantly between years due to changes in property taxes and investment earnings.

The fund balance of the ESSER fund did not change due to revenues equaling expenditures.

**Northwest Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

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General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. During 2023, there were several revisions to the general fund budget. In part, these revisions increased appropriations by \$227,197 as a result of an increase in regular instruction, pupil transportation, and extracurricular activities. These revisions decreased estimated resources by \$369,385 as a result of decreased budgeting for intergovernmental monies, which was partially offset by increases for property taxes, tuition and fees, and miscellaneous revenues. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The general fund's ending unobligated cash balance was \$6,721,233.

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2023, the School District had \$25,784,900 invested in its capital assets. Table 4 shows the fiscal year 2023 balances compared to 2022.

Table 4  
 Capital Assets  
 (Net of Accumulated Depreciation)

	2023	2022
Land	\$403,451	\$403,451
Construction in Progress	0	429,220
Land Improvements	2,138,616	2,291,381
Buildings and Improvements	18,794,557	18,382,537
Furniture and Equipment	2,568,026	2,487,055
Vehicles	1,774,321	1,673,853
Textbooks	105,929	105,929
Totals	\$25,784,900	\$25,773,426

Changes in capital assets from the prior year resulted from current year additions, disposals, and depreciation expense. See note 7 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2023, the School District had one note and one financed purchase agreement outstanding. These obligations had balances of \$188,000, and \$1,928,449, respectively, at the end of the year. See note 11 to the basic financial statements for more detailed information regarding debt.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Julie Smith, Treasurer, Northwest Local School District, 800 Mohawk Drive, McDermott, Ohio 45652.

**Northwest Local School District**  
*Statement of Net Position*  
*As of June 30, 2023*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,824,578
Accrued Interest Receivable	7,241
Intergovernmental Receivable	682,366
Property Taxes Receivable	3,759,658
Leases Receivable	25,200
Net OPEB Asset	1,767,841
Nondepreciable Capital Assets	403,451
Depreciable Capital Assets, net	25,381,449
<i>Total Assets</i>	39,851,784
<b>Deferred Outflows of Resources:</b>	
Pension	4,892,837
OPEB	496,260
<i>Total Deferred Outflows of Resources</i>	5,389,097
<b>Liabilities:</b>	
Accounts Payable	145,814
Accrued Wages and Benefits	2,213,107
Intergovernmental Payable	354,281
Accrued Interest Payable	6,152
Matured Compensated Absences Payable	93,966
Long-Term Liabilities:	
Due Within One Year	462,891
Due in More Than One Year	3,648,322
Net Pension Liability	19,214,962
Net OPEB Liability	1,069,138
<i>Total Liabilities</i>	27,208,633
<b>Deferred Inflows of Resources:</b>	
Property Taxes not Levied to Finance Current Year Operations	2,421,096
Pension	1,626,830
OPEB	2,724,022
Lease	25,200
<i>Total Deferred Inflows of Resources</i>	6,797,148
<b>Net Position:</b>	
Net Investment in Capital Assets	23,547,749
Restricted for Capital Outlay	480,915
Restricted for Other Purposes	697,617
Unrestricted (Deficit)	(13,491,181)
<i>Total Net Position</i>	\$11,235,100

The notes to the basic financial statements are an integral part of this statement

**Northwest Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2023

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$11,520,976	\$158,635	\$3,062,496	(\$8,299,845)
Special	2,691,134	41,750	2,010,204	(639,180)
Vocational	104,634	1,820	9,326	(93,488)
Student Intervention Services	15,120	244	0	(14,876)
Other	32,250	0	27,171	(5,079)
Support Services:				
Pupils	1,083,468	38,405	398,884	(646,179)
Instructional Staff	541,706	2,437	387,914	(151,355)
Board of Education	86,017	1,380	0	(84,637)
Administration	1,593,511	23,456	279,868	(1,290,187)
Fiscal	428,458	6,793	0	(421,665)
Business	32,245	0	54,718	22,473
Operation and Maintenance of Plant	2,490,510	29,941	165,600	(2,294,969)
Pupil Transportation	1,745,727	22,803	307,167	(1,415,757)
Central	121,396	1,524	116,920	(2,952)
Operation of Noninstructional Services	1,030,860	112,582	909,849	(8,429)
Extracurricular Activities	801,244	102,494	2,416	(696,334)
Interest on Long-Term Debt	83,313	0	0	(83,313)
<i>Total Governmental Activities</i>	<u>\$24,402,569</u>	<u>\$544,264</u>	<u>\$7,732,533</u>	(16,125,772)

**General Revenues:**

Property Taxes Levied for:	
General Purposes	3,183,487
Permanent Improvements	80,761
Grants and Entitlements not	
Restricted for Specific Programs	13,950,071
Insurance Recoveries	25,434
Investment Earnings	135,278
Miscellaneous	282,278
<i>Total General Revenues</i>	<u>17,657,309</u>
<i>Change in Net Position</i>	1,531,537
<i>Net Position Beginning of Year</i>	<u>9,703,563</u>
<i>Net Position End of Year</i>	<u>\$11,235,100</u>

The notes to the basic financial statements are an integral part of this statement

**Northwest Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*As of June 30, 2023*

	General Fund	ESSER Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$6,646,796	\$0	\$1,177,782	\$7,824,578
Accrued Interest Receivable	7,241	0	0	7,241
Interfund Receivable	341,971	0	0	341,971
Intergovernmental Receivable	14,031	452,827	215,508	682,366
Property Taxes Receivable	3,666,546	0	93,112	3,759,658
Leases Receivable	25,200	0	0	25,200
<i>Total Assets</i>	<u>\$10,701,785</u>	<u>\$452,827</u>	<u>\$1,486,402</u>	<u>\$12,641,014</u>
<b>Liabilities:</b>				
Accounts Payable	\$10,675	\$132,989	\$2,150	\$145,814
Accrued Wages and Benefits	1,990,301	16,797	206,009	2,213,107
Interfund Payable	0	264,646	77,325	341,971
Intergovernmental Payable	300,362	38,395	15,524	354,281
Matured Compensated Absences Payable	93,966	0	0	93,966
<i>Total Liabilities</i>	2,395,304	452,827	301,008	3,149,139
<b>Deferred Inflows of Resources:</b>				
Property Taxes not Levied to Finance Current Year Operations	2,361,099	0	59,997	2,421,096
Unavailable Revenue-Property Taxes	1,009,461	0	25,608	1,035,069
Unavailable Revenue-Grants	0	0	46,662	46,662
Lease	25,200	0	0	25,200
<i>Deferred Inflows of Resources</i>	3,395,760	0	132,267	3,528,027
<b>Fund Balances:</b>				
Restricted	0	0	1,151,223	1,151,223
Committed	100,513	0	0	100,513
Assigned	587,919	0	0	587,919
Unassigned (Deficit)	4,222,289	0	(98,096)	4,124,193
<i>Total Fund Balances</i>	<u>4,910,721</u>	<u>0</u>	<u>1,053,127</u>	<u>5,963,848</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$10,701,785</u>	<u>\$452,827</u>	<u>\$1,486,402</u>	<u>\$12,641,014</u>

The notes to the basic financial statements are an integral part of this statement.

**Northwest Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 As of June 30, 2023*

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**Total Governmental Fund Balances** \$5,963,848

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 25,784,900

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	1,035,069	
Intergovernmental	46,662	
Total	1,081,731	1,081,731

The net pension/OPEB liability (asset) is not due and payable (receivable) in the current period. Therefore, the liability (asset) and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	4,892,837	
Deferred Outflows-OPEB	496,260	
Deferred Inflows-Pension	(1,626,830)	
Deferred Inflows-OPEB	(2,724,022)	
Net OPEB Asset	1,767,841	
Net Pension Liability	(19,214,962)	
Net OPEB Liability	(1,069,138)	
Total	(17,478,014)	(17,478,014)

Long-term liabilities, including notes, financed purchase agreements, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest Payable	(6,152)	
Compensated Absences	(1,994,764)	
Notes Payable	(188,000)	
Financed Purchase Agreements	(1,928,449)	
Total	(4,117,365)	(4,117,365)

**Net Position of Governmental Activities** \$11,235,100

The notes to the basic financial statements are an integral part of this statement

**Northwest Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2023*

	General Fund	ESSER Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$2,818,550	\$0	\$71,503	\$2,890,053
Intergovernmental	15,906,616	3,231,582	2,485,668	21,623,866
Interest	140,070	0	7,332	147,402
Change in Fair Value of Investments	(4,792)	0	0	(4,792)
Tuition and Fees	267,341	0	0	267,341
Lease and Rent	29,495	0	0	29,495
Extracurricular Activities	22,502	0	111,820	134,322
Gifts and Donations	10,858	0	22,382	33,240
Customer Sales and Services	0	0	113,106	113,106
Miscellaneous	279,162	0	3,116	282,278
<i>Total Revenues</i>	19,469,802	3,231,582	2,814,927	25,516,311
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,799,602	1,283,292	894,115	10,977,009
Special	2,594,215	70,716	40,050	2,704,981
Vocational	113,080	0	0	113,080
Student Intervention Services	15,163	0	0	15,163
Other	0	0	32,250	32,250
Support Services:				
Pupils	1,017,656	46,749	5,909	1,070,314
Instructional Staff	151,455	0	387,915	539,370
Board of Education	85,769	0	0	85,769
Administration	1,457,443	164,925	0	1,622,368
Fiscal	422,116	0	1,891	424,007
Business	0	32,245	0	32,245
Operation and Maintenance of Plant	1,847,404	95,979	3,330	1,946,713
Pupil Transportation	1,416,872	128,125	69,747	1,614,744
Central	94,727	4,565	22,990	122,282
Operation of Noninstructional Services	0	77,764	948,954	1,026,718
Extracurricular Activities	258,671	0	142,714	401,385
Capital Outlay	183,432	1,327,222	120,512	1,631,166
Debt Service:				
Principal	0	0	406,077	406,077
Interest	0	0	84,382	84,382
<i>Total Expenditures</i>	18,457,605	3,231,582	3,160,836	24,850,023
<i>Excess of Revenues Over (Under) Expenditures</i>	1,012,197	0	(345,909)	666,288
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	0	591,367	591,367
Insurance Recoveries	25,434	0	0	25,434
Transfers Out	(591,367)	0	0	(591,367)
<i>Total Other Financing Sources (Uses)</i>	(565,933)	0	591,367	25,434
<i>Net Change in Fund Balances</i>	446,264	0	245,458	691,722
<i>Fund Balance at Beginning of Year</i>	4,464,457	0	807,669	5,272,126
<i>Fund Balance at End of Year</i>	<u>\$4,910,721</u>	<u>\$0</u>	<u>\$1,053,127</u>	<u>\$5,963,848</u>

The notes to the basic financial statements are an integral part of this statement.

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

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**Net Change in Fund Balances - Total Governmental Funds** \$691,722

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation and capital asset additions in the current period.

Capital Asset Additions	1,631,166	
Current Year Depreciation	<u>(1,619,692)</u>	
Total		11,474

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental	18,166	
Taxes	<u>374,195</u>	
Total		392,361

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.

Pension	1,754,101	
OPEB	<u>46,540</u>	
Total		1,800,641

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	(2,138,900)	
OPEB	<u>381,056</u>	
Total		(1,757,844)

Repayments of note principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

105,000

Repayments of financed purchase obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

301,077

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.

1,069

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Compensated Absences	<u>(13,963)</u>	
Total		<u>(13,963)</u>

**Net Change in Net Position of Governmental Activities** \$1,531,537

The notes to the basic financial statements are an integral part of this statement

**Northwest Local School District**  
*Statement of Revenues, Expenditures and Change  
in Fund Balance - Budget and Actual (Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Total Revenues and Other Financing Sources	\$19,668,614	\$19,299,229	\$19,299,229	\$0
Total Expenditures and Other Financing Uses	18,845,028	19,072,225	19,072,225	0
<i>Net Change in Fund Balance</i>	823,586	227,004	227,004	0
<i>Fund Balance at Beginning of Year</i>	6,406,526	6,406,526	6,406,526	0
<i>Prior Year Encumbrances Appropriated</i>	87,703	87,703	87,703	0
<i>Fund Balance at End of Year</i>	<u>\$7,317,815</u>	<u>\$6,721,233</u>	<u>\$6,721,233</u>	<u>\$0</u>

The notes to the basic financial statements are an integral part of this statement.

**Northwest Local School District**  
*Statement of Revenues, Expenditures and Change  
in Fund Balance - Budget and Actual (Budgetary Basis)*  
*ESSER Fund*  
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Total Revenues and Other Financing Sources	\$4,188,889	\$3,435,246	\$3,166,569	(\$268,677)
Total Expenditures and Other Financing Uses	2,703,083	3,319,405	3,519,500	(200,095)
<i>Net Change in Fund Balance</i>	1,485,806	115,841	(352,931)	(468,772)
<i>Fund Balance at Beginning of Year</i>	(1,305,218)	(1,305,218)	(1,305,218)	0
<i>Prior Year Encumbrances Appropriated</i>	991,617	991,617	991,617	0
<i>Fund Balance at End of Year</i>	<u>\$1,172,205</u>	<u>(\$197,760)</u>	<u>(\$666,532)</u>	<u>(\$468,772)</u>

The notes to the basic financial statements are an integral part of this statement.

**Northwest Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2023*

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	Custodial Fund
<b>Deductions:</b>	
Distributions as Fiscal Agent	\$298
<i>Total Deductions</i>	298
<i>Change in Net Position</i>	(298)
<i>Net Position Beginning of Year</i>	298
<i>Net Position End of Year</i>	\$0

The notes to the basic financial statements are an integral part of this statement.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**Note 1 – Description of the School District and Reporting Entity**

**Description of the School District**

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 187 square miles. It is located in Scioto County, and includes all of the Villages of Rarden and Otway and portions of Brush, Rush, Union, Morgan and Rarden Townships. It is staffed by 80 noncertificated and administrative employees and 103 certificated full-time teaching personnel who provide services to 1,196 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, and 1 garage.

**Reporting Entity**

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

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

The following organizations which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District:

- Parent Teacher Organizations
- Booster Associations
- Alumni Associations

The School District is associated with four organizations, three of which are defined as jointly governed organizations and one as a public entity shared risk pool. These organizations are the META Solutions, the Coalition of Rural and Appalachian Schools, the Ohio Coalition of Equity and Adequacy of School Funding, and Optimal Health Initiatives. These organizations are presented in notes 13 and 14 to the basic financial statements.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**Note 2 – Summary of Significant Accounting Policies**

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

**Basis of Presentation**

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

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**Fund Financial Statements**

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

**Fund Accounting**

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund 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, liabilities, and deferred inflows/outflows of resources is reported as fund balance. The following are the School District's major governmental funds:

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

*Elementary and Secondary School Emergency Relief (ESSER) Fund* – The ESSER fund is a special revenue fund used to account for emergency relief grants to school districts related to the COVID-19 pandemic. Restrictions include, but are not limited to, providing for coordination of preparedness and response efforts, training and professional development of staff, planning and coordination during long-term closure, and purchasing technology for students.

The other governmental funds of the School District account for grants and other resources, and capital projects, whose use is restricted to a particular purpose.

#### Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's only fiduciary fund is a custodial fund used to account for tournament activity collected for and distributed to other organizations. The School District did not hold any balances for fiduciary funds at June 30, 2023 so a statement of fiduciary net position was not presented.

#### **Measurement Focus**

##### Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

##### Fund Financial Statements

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

#### **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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Revenues – Exchange and 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. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements; which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and are further explained in note 9.

In addition to liabilities, the statement of net position and balance sheet sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position/fund balance that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources included property taxes, leases, pension and OPEB, and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental funds balance sheet. The deferred inflow for leases is related to the leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet and represents grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2023. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and are further explained in note 9.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and financed purchase obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave, and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

### **Budgetary Process**

All funds, other than the custodial fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the permanent appropriations were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2023.

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

### **Encumbrances**

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements, encumbrances outstanding at fiscal year-end are reported as a restriction, commitment, or assignment of fund balance for subsequent year expenditures for governmental funds. A restriction, commitment, or assignment for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis in the statement of revenues, expenditures and changes in fund balances – budget and actual (budgetary basis) presented for the general fund.

### **Cash and Cash Equivalents**

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

During fiscal year 2023, the School District invested funds in negotiable certificates of deposit, money market funds, federal government agency securities, and the State Treasury Asset Reserve of Ohio (STAROhio).

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

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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For the fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. Twenty-four hours advanced notice is appreciated for deposits and redemptions of \$100 million or more. 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 and other governmental funds during fiscal year 2023 amounted to \$140,070 and \$7,332, respectively. The School District also recognized a decrease in the fair value of investments in the general fund in the amount of \$4,792 for 2023.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**Capital Assets and Depreciation**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial 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 School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District does not capitalize interest for capital asset purchases.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-25 Years
Buildings and Improvements	20-25 Years
Furniture and Equipment	10-15 Years
Vehicles	10-15 Years
Textbooks	5-10 Years

**Interfund Balances**

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

**Compensated Absences**

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The School District records an accrual for sick leave to the extent it is probable that benefits will result in termination payments. The accrual amount is based upon an estimate of the School District's past experience of making termination payments.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and net pension/OPEB liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Notes and financed purchases are recognized as a liability on the fund financial statements when due.

### **Fund Balances**

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

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

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

*Committed* – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District's Board of Education. Those committed amounts cannot be used for any other purpose unless the School District's 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 School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts would represent intended uses established by the School District's Board of Education.

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

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

**Estimates**

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

**Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Of the School District's restricted net position, none is restricted for enabling legislation.

**Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

**Pensions/OPEB**

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

**Note 3 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures and change in fund balance - budget and actual (budgetary basis) presented for the general and ESSER funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis);
4. 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 uniform school supplies, public school support funds, and termination benefits.

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

Net Change in Fund Balance		
	General	ESSER
GAAP Basis	\$446,264	\$0
Revenue Accruals	(153,631)	(65,013)
Expenditure Accruals	114,576	113,968
Encumbrances	(108,897)	(401,886)
(Excess) Deficit of Funds Combined with the General Fund for Reporting Purposes	(71,308)	0
Budget Basis	\$227,004	(\$352,931)

**Note 4 – Deposits and Investments**

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

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

Inactive deposits are public deposits 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 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 monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and 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 (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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.

#### Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2023, the School District's bank balance of \$1,622,253 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described below.

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

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**Investments**

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

	Carrying/Fair Value	Weighted Average Maturity (Years)	S&P Credit Rating	Percentage of Portfolio
STAROhio	\$2,601,847	<1 Year	AAAm	48.30%
Negotiable Certificates of Deposit	237,162	<1 Year	N/A	4.40%
Negotiable Certificates of Deposit	963,441	1-2 Years	N/A	17.89%
Negotiable Certificates of Deposit	343,749	2-5 Years	N/A	6.38%
Federal Home Loan Bank	419,710	<1 Year	AA+	7.79%
Federal Farm Credit Bank	184,012	1-2 Years	AA+	3.42%
Federal Home Loan Mortgage Corporation	90,690	2-5 Years	AA+	1.68%
Federated Government Obligations Money Market Fund	545,892	<1 Year	AAAm	10.14%
<b>Total</b>	<b>\$5,386,503</b>			<b>100.00%</b>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2023. As discussed further in note 2, STAR Ohio is reported at its share price. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The School District limited its investments to securities in negotiable certificates of deposit, STAROhio, federal government agency obligations, and money market funds.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The School District's investment policy allows investments in STAROhio, repurchase agreements, and securities or obligations of federal agencies or instrumentalities.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School 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 School District's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the School District's securities are held in the name of the School District.

**Note 5 – Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2023 represents

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022 on the assessed value listed as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar year 2023 (other than public utility property tax) represents the collection of 2023 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2023 were levied after April 1, 2022 on the value as of December 31, 2022. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

	2022 Second-Half Collections		2023 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$120,345,600	90.63%	\$138,882,850	91.16%
Public Utility	12,448,460	9.37%	13,475,810	8.84%
Total Assessed Value	\$132,794,060	100.00%	\$152,358,660	100.00%
Tax rate per \$1000 of Assessed Valuation		\$20.21		\$20.21

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

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

The amount available as an advance at June 30, 2023 was \$295,986 in the general fund and \$7,507 in the permanent improvement nonmajor capital projects fund.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2023

**Note 6 - Receivables**

Receivables at June 30, 2023 consisted of accrued interest, taxes receivable, interfund receivables, leases, and intergovernmental grants. 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<i>Major Funds</i>	
General	\$14,031
ESSER	452,827
<i>Nonmajor Funds</i>	
Food Service	18
Early Childhood	25,114
IDEA-B	28,485
Title I-School Improvement	25,568
Title I-A	129,444
Drug Free Schools	2,150
Title II-A	3,028
Miscellaneous Federal Grants	1,701
Total Nonmajor Funds	215,508
Total All Funds	\$682,366

**Note 7 – Capital Assets**

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

	Ending Balance 6/30/22	Additions	Deletions	Ending Balance 6/30/23
Capital Assets, Not Being Depreciated				
Land	\$403,451	\$0	\$0	\$403,451
Construction in Progress	429,220	0	(429,220)	0
Total Capital Assets, Not Being Depreciated	832,671	0	(429,220)	403,451
Capital Assets, Being Depreciated				
Land Improvements	3,650,239	15,019	0	3,665,258
Buildings and Improvements	39,680,837	1,510,996	0	41,191,833
Furniture and Equipment	6,561,698	307,769	0	6,869,467
Vehicles	2,184,601	226,602	0	2,411,203
Textbooks	1,079,146	0	0	1,079,146
Total Capital Assets, Being Depreciated	53,156,521	2,060,386	0	55,216,907
Less Accumulated Depreciation				
Land Improvements	(1,358,858)	(167,784)	0	(1,526,642)
Buildings and Improvements	(21,298,300)	(1,098,976)	0	(22,397,276)
Furniture and Equipment	(4,074,643)	(226,798)	0	(4,301,441)
Vehicles	(510,748)	(126,134)	0	(636,882)
Textbooks	(973,217)	0	0	(973,217)
Total Accumulated Depreciation	(28,215,766)	(1,619,692)	0	(29,835,458)
Total Capital Assets, Being Depreciated, Net	24,940,755	440,694	0	25,381,449
Governmental Activities Capital Assets, Net	\$25,773,426	\$440,694	(\$429,220)	\$25,784,900

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$548,061
Vocational	242
Support Services:	
Pupils	918
Instructional Staff	2,179
Board of Education	274
Fiscal	544
Operation and Maintenance of Plant	534,236
Pupil Transportation	128,938
Operation of Non-Instructional Services	3,770
Extracurricular Activities	400,530
Total Depreciation Expense	\$1,619,692

**Note 8 – Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the School District contracted with Schools of Ohio Risk Sharing Authority for property, fleet insurance, and liability insurance coverage.

Coverages provided were as follows:

Building and contents – replacement cost	\$350,000,000
General liability	
Per occurrence	15,000,000
Total aggregate	17,000,000
Crime one occurrence	1,000,000
Wrongful acts	
Per occurrence	15,000,000
Total aggregate	15,000,000
Automobile Liability	15,000,000

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

The School District is a member of Optimal Health Initiatives (OHI), Scioto Health Plan, Southeast Division of OHI (the Plan), a public entity shared risk pool (note 14), offering employee medical and dental insurance to participating school districts within the county. Monthly premiums are paid to Mountjoy Chilton Medley LLP as fiscal agent. This fiscal agent in turn pays the claims on the School District’s behalf. The Plan is responsible for the management and operations of the program. Upon a school district’s termination from the Plan, the Plan shall have no obligation to the school district beyond paying claims incurred prior to termination and any applicable extended benefits that were provided under the Plan. All claims and expenses shall be paid from the funds of the Plan.

**Note 9 – Defined Benefit Pension Plans and Defined Benefit OPEB Plans**

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

***Defined Benefit Pension Plans***

**Net Pension Liability/Net OPEB Liability (Asset)**

The net pension/OPEB liability (asset) reported on the statement of net position represents a liability to (asset for) employees for pensions/OPEB. Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents the School 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 School District’s obligation for these liabilities to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School 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 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/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

**School Employees Retirement System (SERS)**

Plan Description – School District nonteaching 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](http://www.ohsers.org) under employers/audit resources.

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*Notes to the Basic Financial Statements*  
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Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contributions to SERS were \$372,512 for fiscal year 2023. Of this amount, \$0 was reported as an intergovernmental payable.

**State Teachers Retirement System (STRS)**

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-

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of-living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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

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

The School District's contractually required contributions to STRS were \$1,381,589 for fiscal year 2023. Of this amount, \$246,356 is reported as an intergovernmental payable.

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

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

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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			
Current Measurement Date	0.07464830%	0.068274020%	
Proportion of the Net Pension Liability			
Prior Measurement Date	<u>0.07411390%</u>	<u>0.066204336%</u>	
Change in Proportionate Share	<u>0.00053440%</u>	<u>0.002069684%</u>	
Proportionate Share of the Net			
Pension Liability	\$4,037,561	\$15,177,401	\$19,214,962
Pension Expense	\$247,304	\$1,891,596	\$2,138,900

At June 30, 2023, the School 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>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$163,525	\$194,290	\$357,815
Changes of assumptions	39,841	1,816,278	1,856,119
Net difference between projected and actual earnings on pension plan investments	0	528,141	528,141
Changes in proportion and differences between School District contributions and proportionate share of contributions	3,781	392,880	396,661
School District contributions subsequent to the measurement date	<u>372,512</u>	<u>1,381,589</u>	<u>1,754,101</u>
Total Deferred Outflows of Resources	<u>\$579,659</u>	<u>\$4,313,178</u>	<u>\$4,892,837</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$26,505	\$58,058	\$84,563
Changes of assumptions	0	1,367,136	1,367,136
Net difference between projected and actual earnings on pension plan investments	140,890	0	140,890
Changes in proportion and differences between School District contributions and proportionate share of contributions	<u>9,472</u>	<u>24,769</u>	<u>34,241</u>
Total Deferred Inflows of Resources	<u>\$176,867</u>	<u>\$1,449,963</u>	<u>\$1,626,830</u>

\$1,754,101 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	\$9,142	\$205,495	\$214,637
2025	(11,742)	62,122	50,380
2026	(201,268)	(325,222)	(526,490)
2027	234,148	1,539,231	1,773,379
Total	\$30,280	\$1,481,626	\$1,511,906

**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, 2022 are presented below:

Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

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

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net pension liability	\$5,943,097	\$4,037,561	\$2,432,173

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2022 actuarial valuation are presented below:

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Inflation	2.50 percent
Salary increases	From 2.5 percent to 12.5 percent based on age
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

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

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

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

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

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer

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contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$22,927,527	\$15,177,401	\$8,623,193

***Defined Benefit OPEB Plans***

**School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-

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covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School District’s surcharge obligation was \$46,540.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS for health care was \$46,540 for fiscal year 2023. Of this amount, \$46,540 was reported as an intergovernmental payable.

**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 Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	0.07614890%	0.068274020%	
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.07607200%	0.066204336%	
Change in Proportionate Share	0.00007690%	0.002069684%	
Proportionate Share of the Net			
OPEB Liability	\$1,069,138	\$0	\$1,069,138
Proportionate Share of the Net			
OPEB Asset	\$0	(\$1,767,841)	(\$1,767,841)
OPEB Expense (Gain)	(\$57,331)	(\$323,725)	(\$381,056)

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At June 30, 2023, the School 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>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$8,987	\$25,627	\$34,614
Changes of assumptions	170,061	75,304	245,365
Net difference between projected and actual earnings on pension plan investments	5,559	30,771	36,330
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	128,023	5,388	133,411
School District contributions subsequent to the measurement date	<u>46,540</u>	<u>0</u>	<u>46,540</u>
Total Deferred Outflows of Resources	<u>\$359,170</u>	<u>\$137,090</u>	<u>\$496,260</u>
 <i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$683,899	\$265,494	\$949,393
Changes of assumptions	438,889	1,253,569	1,692,458
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>68,715</u>	<u>13,456</u>	<u>82,171</u>
Total Deferred Inflows of Resources	<u>\$1,191,503</u>	<u>\$1,532,519</u>	<u>\$2,724,022</u>

\$46,540 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2024	(\$199,325)	(\$410,623)	(\$609,948)
2025	(199,140)	(404,451)	(603,591)
2026	(169,477)	(188,179)	(357,656)
2027	(104,836)	(78,954)	(183,790)
2028	(76,535)	(103,509)	(180,044)
Thereafter	<u>(129,560)</u>	<u>(209,713)</u>	<u>(339,273)</u>
Total	<u>(\$878,873)</u>	<u>(\$1,395,429)</u>	<u>(\$2,274,302)</u>

**Actuarial Assumptions - SERS**

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

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

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

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

Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	7.00 to 4.40 percent

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 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. 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.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020 and was adopted by the Board 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

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future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

**Sensitivity of the School 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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

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*Notes to the Basic Financial Statements*  
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	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
School District's proportionate share of the net OPEB liability	\$1,327,886	\$1,069,138	\$860,259

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$824,498	\$1,069,138	\$1,388,679

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2022, actuarial valuation and the June 30, 2021, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	5.00 percent initial 4 percent ultimate
Medicare	-68.78 percent initial 3.94 percent ultimate	-16.18 percent initial 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4 percent ultimate
Medicare	-5.47 percent initial 3.94 percent ultimate	29.98 percent initial 4 percent ultimate

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

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

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

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
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disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

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

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	(\$1,634,323)	(\$1,767,841)	(\$1,882,212)

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
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	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,833,682)	(\$1,767,841)	(\$1,684,734)

**Note 10 – Employee Benefits**

**Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 289 days for both classified and 276 days for certified personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 62 days for classified and 66 days for certified personnel.

**Insurance Benefits**

The School District provides life insurance to most employees through the Metropolitan Education Council.

**Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

**Note 11 – Long-Term Liabilities**

The changes in the School District’s long-term liabilities during fiscal year 2023 were as follows:

	Principal Outstanding 6/30/22	Additions	Deductions	Principal Outstanding 6/30/23	Due Within One Year
HB 264 Notes	\$293,000	\$0	(\$105,000)	\$188,000	\$105,000
Athletic Complex Financed Purchase	2,229,526	0	(301,077)	1,928,449	306,707
Total Notes	2,522,526	0	(406,077)	2,116,449	411,707
Compensated Absences	1,980,801	750,615	(736,652)	1,994,764	51,184
Net Pension Liability	11,199,407	8,015,555	0	19,214,962	0
Net OPEB Liability	1,439,724	0	(370,586)	1,069,138	0
Total Long-Term Liabilities	\$17,142,458	\$8,766,170	(\$1,513,315)	\$24,395,313	\$462,891

In October 2014, the School District issued \$993,000 in notes to fund an energy conservation project. These notes carry a 2.7% interest rate and a final maturity date of December 1, 2024. These notes are general obligations of the School District. The notes are being paid from the debt service fund.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
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**Financed Purchase**

In a prior fiscal year, the School District entered into a financed purchase. This agreement meets the criteria of a financed purchase which is defined as a financed purchase which transfers ownership to the lessee. Payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

In December 2018, the School District entered into a financed purchase agreement for the purpose of constructing, improving, furnishing, and equipping an athletic complex. This financed purchase agreement can be drawn upon for up to \$3,100,000. This agreement carries a 3.74% interest rate and a final maturity date of December 1, 2028. This financed purchase agreement is a general obligation of the School District and is being paid from the debt service fund.

Compensated absences will be paid from the funds from which the employees' salaries are paid, with the most significant fund being the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$13,712,279 with an unvoted debt margin of \$152,359 at June 30, 2023.

Principal and interest requirements to retire notes at June 30, 2023 are as follows:

Fiscal Year Ending June 30,	HB 264 Notes		Athletic Complex Financed Purchase	
	Principal	Interest	Principal	Interest
2024	\$105,000	\$4,331	\$306,707	\$66,389
2025	83,000	1,575	312,443	54,811
2026	0	0	318,285	43,016
2027	0	0	324,237	31,001
2028	0	0	330,300	18,761
2029	0	0	336,477	6,292
Total	\$188,000	\$5,906	\$1,928,449	\$220,270

**Note 12 – Interfund Activity**

**Interfund Transfers**

Interfund transfers for the fiscal year ended June 30, 2023 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Major Fund</i>		
General Fund	\$0	\$591,367
<i>Nonmajor Funds</i>		
Bond Retirement	490,459	0
Permanent Improvement	31,200	
Food Service	4,708	
Athletics	65,000	0
Total Nonmajor Funds	<u>591,367</u>	<u>0</u>
Total Transfers	<u>\$591,367</u>	<u>\$591,367</u>

Transfers were made from the general fund to various funds to subsidize operations.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**Interfund Balances**

Interfund balances at June 30, 2023 consist of the following individual fund receivables and payables, which are expected to be repaid during fiscal year 2024:

	Receivable	Payable
<i>Major Funds</i>		
General Fund	\$341,971	\$0
ESSER	0	264,646
<i>Nonmajor Funds</i>		
Early Childhood	0	626
Title IV-A	0	
IDEA-B	0	28,485
Title I-School Improvement	0	12,407
Title I-A	0	35,807
Total Nonmajor Funds	0	77,325
Total Interfund Receivables/Payables	\$341,971	\$341,971

The amounts due to the general fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The general fund will be reimbursed when funds become available in the major ESSER and nonmajor special revenue funds.

**Note 13 – Jointly Governed Organizations**

**Metropolitan Educational Technology Association (META) Solutions**

META Solutions is an educational solutions partner providing services across Ohio. META Solutions provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META Solutions consists of a president, vice president and six board members who represent the members of META Solutions. The board works with META Solutions’ Chief Executive Officer, Chief Operating Officer, an Chief Financial Officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member’s degree of control is limited to its representation on the Board. The School District paid META Solutions \$53,543 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

**Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. During fiscal year 2023, the School District paid \$355 to the Coalition.

### **The Ohio Coalition of Equity and Adequacy of School Funding**

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2023, the School District paid \$2,472 to the Coalition. To obtain financial information write to Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

### **Note 14 – Public Entity Shared Risk Pool**

#### **Optimal Health Initiatives**

The School District is a member of the Optimal Health Initiatives (OHI), a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Optimal Health Initiatives (OHI), Scioto Health Plan, Southeast Division of OHI (the Plan), formerly called the Scioto County Schools Council. The overall objectives of the Plan are to formulate and administer a program of health insurance for the benefit of the Plan members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Plan's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Plan estimates will cover the costs of all claims for which the Plan is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund.

The Plan views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, Mountjoy Chilton Medley LLP, 2600 Meidinger Tower, 462 South Fourth Street, Louisville, KY 40202.

### **Note 15 – Set-Aside Calculation and Fund Balance Restrictions**

The School District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years. The School District is no longer required to set aside funds in the budget stabilization set-aside, with the exception of monies received from the Bureau of Worker's Compensation, which must be spent for specified purposes. The School District has elected to maintain its budget stabilization set-aside to be used to offset future fund deficits. As such, this set-aside is not reflected as restricted fund balance on the fund financial statements, but is instead reflected in the unassigned fund balance classification.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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The following information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by state statute.

	Capital Acquisition
Set-aside balance as of June 30, 2022	\$0
Current year set-aside requirement	287,737
Current year qualifying disbursements	(287,737)
Total	\$0
Balance carried forward to fiscal year 2024	\$0
Set-aside balance as of June 30, 2023	\$0

The School District had qualifying disbursements during the year that reduced the set-aside amount below zero in the capital acquisition set-aside. The carryover amount in the capital acquisition set-aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$2,900,207 at June 30, 2023.

**Note 16 - Contingencies**

**Grants**

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

**State 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. ODE has finalized these adjustments, which resulted in a \$70 intergovernmental payable reported by the School District.

**Litigation**

The School District is not currently party to legal proceedings.

**Note 17 – Accountability and Compliance**

**Fund Balance Deficits**

At June 30, 2023, the nonmajor food service, early childhood, and Title I special revenue funds had fund balance deficits of \$53,135, \$7,626, and \$37,335, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2023

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**Compliance**

The School District had expenditures in excess of appropriations, appropriations in excess of estimated resources, and appropriations in excess of available resources in the ESSER fund at year end. These are contrary to Ohio Revised Code Sections 5705.41(B), 5705.39, and 5705.36(A)(5), respectively.

**Note 18 – Fund Balances**

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

	General	ESSER	Other Governmental Funds	Total Governmental Funds
<i>Restricted</i>				
Capital Projects and Maintenance	\$0	\$0	\$496,362	\$496,362
Scholarships	0	0	141,289	141,289
Student Activities	0	0	29,307	29,307
Athletics	0	0	242,302	242,302
State Grants	0	0	20,524	20,524
Federal Grants	0	0	221,439	221,439
Total Restricted	0	0	1,151,223	1,151,223
<i>Committed</i>				
Termination Benefits	100,513	0	0	100,513
Total Committed	100,513	0	0	100,513
<i>Assigned</i>				
Future Purchases	98,223	0	0	98,223
Student and Staff Support	36,342	0	0	36,342
Future Budget Deficit	453,354	0	0	453,354
Total Assigned	587,919	0	0	587,919
<i>Unassigned (Deficit)</i>	4,222,289	0	(98,096)	4,124,193
Total Fund Balances	\$4,910,721	\$0	\$1,053,127	\$5,963,848

**Note 19 – Significant Commitments**

**Encumbrances**

At June 30, 2023, the School District had significant encumbrance commitments in governmental funds as follows:

<i>Major Funds</i>	
General	\$108,897
ESSER	401,886

**Northwest Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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<i>Nonmajor Funds</i>	
Food Service	\$6,000
Student Activities	4,492
Athletics	1,810
Drug Free Schools	1,325
Miscellaneous Federal Grants	7,427

**Note 20 – Lease Receivable**

The School District is reporting a lease receivable of \$25,200 in the governmental funds at June 30, 2023. This amount represents the discounted future lease payments. This discount is being amortized using the interest method. For fiscal year 2023, the School District reported lease revenue of \$28,800 and interest revenue of \$2,700 in the governmental funds. A description of the School District’s leasing arrangement is as follows:

The School District entered into a lease agreement with the Southern Ohio Medical Center (SOMC) for the three-year term beginning January 1, 2021 and ended April 30, 2024. SOMC will remit monthly lease installments of \$2,625 to the School District for the term of the lease. A summary of future payments to be received is as follows:

Fiscal Year	Principal	Interest
Ending June 30,		
2024	\$25,200	\$1,050

**Note 21 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**Note 22 – New Accounting Principles**

For fiscal year 2023, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, “Subscription-Based Information Technology Arrangements”.

GASB Statement No. 96 provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in Statement 87, “Leases”. It:

- Defines a SBITA as a contract that conveys control of the right to use a SBITA vendor’s IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction;
- Requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months); and
- Provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

These changes were considered in the preparation of the School District’s 2023 financial statements; however, there was no effect on beginning net position/fund balance nor was note disclosure presentation required.

**Northwest Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*Last Ten Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>State Teachers Retirement System</i>										
School District's proportion of the net pension liability	0.06177841%	0.06177841%	0.06292845%	0.06247950%	0.06444220%	0.06344606%	0.06500100%	0.06578606%	0.066204336%	0.068274020%
School District's proportionate share of the net pension liability	\$17,899,643	\$15,026,647	\$17,391,583	\$20,913,775	\$15,308,383	\$13,950,364	\$14,374,581	\$15,917,886	\$8,464,819	\$15,177,401
School District's covered payroll	\$6,716,200	\$6,881,715	\$6,529,100	\$6,938,914	\$7,070,343	\$7,234,907	\$7,710,336	\$7,859,636	\$8,134,800	\$8,831,286
School District's proportionate share of the net pension liability as a percentage of its covered payroll	266.5%	218.4%	266.4%	301.4%	216.5%	192.8%	186.4%	202.5%	104.1%	171.9%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%	87.8%	78.9%
<i>School Employees Retirement System</i>										
School District's proportion of the net pension liability	0.06934399%	0.06934399%	0.07399760%	0.07140490%	0.06816490%	0.06937990%	0.06956720%	0.07414080%	0.07411390%	0.07464830%
School District's proportionate share of the net pension liability	\$4,123,665	\$3,509,460	\$4,222,374	\$5,226,180	\$4,072,702	\$3,973,515	\$4,162,328	\$4,903,829	\$2,734,588	\$4,037,561
School District's covered payroll	\$2,923,808	\$1,913,853	\$2,269,765	\$2,278,971	\$2,100,000	\$2,189,378	\$2,269,067	\$2,380,179	\$2,276,286	\$2,622,550
School District's proportionate share of the net pension liability as a percentage of its covered payroll	141.0%	183.4%	186.0%	229.3%	193.9%	181.5%	183.4%	206.0%	120.1%	154.0%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%	69.5%	71.4%	70.9%	68.6%	82.9%	75.8%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.  
See accompanying notes to the required supplementary information.

**Northwest Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)*  
*Last Seven Fiscal Years*

	2017	2018	2019	2020	2021	2022	2023
<i>State Teachers Retirement System</i>							
School District's proportion of the net OPEB liability (asset)	0.06247950%	0.06444220%	0.06344606%	0.06500100%	0.06578606%	0.066204336%	0.068274020%
School District's proportionate share of the net OPEB liability (asset)	\$3,341,420	\$2,514,297	(\$1,019,513)	(\$1,076,573)	(\$1,156,189)	(\$1,395,864)	(\$1,767,841)
School District's covered payroll	\$6,938,914	\$7,070,343	\$7,234,907	\$7,710,336	\$7,859,636	\$8,134,800	\$8,831,286
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	48.2%	35.6%	-14.1%	-14.0%	-14.7%	-17.2%	-20.0%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.3%	47.1%	176.0%	174.7%	182.1%	174.7%	230.7%
<i>School Employees Retirement System</i>							
School District's proportion of the net OPEB liability	0.07140490%	0.06760910%	0.07021620%	0.06950020%	0.07325330%	0.07607200%	0.07614890%
School District's proportionate share of the net OPEB liability	\$2,032,075	\$1,814,451	\$1,947,987	\$1,747,784	\$1,592,033	\$1,439,724	\$1,069,138
School District's covered payroll	\$2,278,971	\$2,100,000	\$2,189,378	\$2,269,067	\$2,380,179	\$2,276,286	\$2,622,550
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.2%	86.4%	89.0%	77.0%	66.9%	63.2%	40.8%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%	13.6%	15.6%	18.2%	24.1%	30.3%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.  
Information not available prior to 2017.  
See accompanying notes to the required supplementary information.

**Northwest Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>State Teachers Retirement System</i>										
Contractually required contribution - pension	\$894,623	\$914,074	\$971,448	\$989,848	\$1,012,887	\$1,079,447	\$1,100,349	\$1,138,872	\$1,236,380	\$1,381,589
Contractually required contribution - OPEB	68,817	0	0	0	0	0	0	0	0	0
Contractually required contribution - total	963,440	914,074	971,448	989,848	1,012,887	1,079,447	1,100,349	1,138,872	1,236,380	1,381,589
Contributions in relation to the contractually required contribution	963,440	914,074	971,448	989,848	1,012,887	1,079,447	1,100,349	1,138,872	1,236,380	1,381,589
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered payroll	\$6,881,715	\$6,529,100	\$6,938,914	\$7,070,343	\$7,234,907	\$7,710,336	\$7,859,636	\$8,134,800	\$8,831,286	\$9,868,493
Contributions as a percentage of covered payroll - pension	13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered payroll - OPEB	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution - pension	\$265,260	\$299,155	\$319,056	\$294,000	\$295,566	\$306,324	\$333,225	\$318,680	\$367,157	\$372,512
Contractually required contribution - OPEB (1)	2,679	18,612	0	0	10,947	11,345	0	0	0	0
Contractually required contribution - total	267,939	317,767	319,056	294,000	306,513	317,669	333,225	318,680	367,157	372,512
Contributions in relation to the contractually required contribution	267,939	317,767	319,056	294,000	306,513	317,669	333,225	318,680	367,157	372,512
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered payroll	\$1,913,853	\$2,269,765	\$2,278,971	\$2,100,000	\$2,189,378	\$2,269,067	\$2,380,179	\$2,276,286	\$2,622,550	\$2,660,800
Contributions as a percentage of covered payroll - pension	13.86%	13.18%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered payroll - OPEB	0.14%	0.82%	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.

See accompanying notes to the required supplementary information.

## **State Teachers Retirement System**

### **Pension**

#### **Changes in benefit terms**

There were no changes to benefit terms for fiscal years 2015 through 2017. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2019 through 2023.

#### **Changes in assumptions**

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.5 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered from 3.5 percent to 3.0 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

There were no changes in assumptions for fiscal years 2019 through 2021.

For fiscal year 2022, the following was the most significant change of assumptions that affected the total pension liability since the prior measurement date:

- Investment rate of return and discount rate of return assumptions were lowered from 7.45 percent to 7.0 percent.

For fiscal year 2023, the following was the most significant change of assumptions that affected the total pension liability since the prior measurement date:

- Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.

### **OPEB**

#### **Changes in benefit terms**

There were no changes to benefit terms for fiscal year 2017.

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

**Northwest Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The subsidy multiplier for non-Medicare benefit recipients increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020, though the STRS Board voted in June 2019 to extent the current Medicare Part B partial reimbursement for one year.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased 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, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent 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 percent 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 percent to 2.1 percent per year of service. 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 calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

There were no changes to benefit terms for fiscal year 2023.

Changes in assumptions

There were no changes in assumptions for fiscal year 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.

**Northwest Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
  - Medical Medicare – 5 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – 6 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – -5.23 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – 8 percent initial, 4 percent ultimate

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Medicare – from 5 percent to 4.93 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – from 6 percent to 5.87 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from -5.23 percent to 9.62 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – from 8 percent to 7.73 initial, 4 percent ultimate

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Medicare – from 4.93 percent to -6.69 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – from 5.87 percent to 5 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from 9.62 percent to 11.87 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – from 7.73 percent to 6.5 initial, 4 percent ultimate

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from 7.45 percent to 7.0 percent.
- The health care trend assumption rate changed as follows:
  - Medical Medicare – from -6.69 percent initial, 4 percent ultimate to -16.18 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from 11.87 percent initial, 4 percent ultimate to 29.98 percent initial, 4 percent ultimate

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Pre-Medicare – from 5.00 percent initial, 4 percent ultimate to 7.50 percent initial, 3.94 percent ultimate
  - Medical Medicare – from -16.18 percent initial, 4 percent ultimate to -68.78 percent initial, 3.94 percent ultimate
  - Prescription Drug Pre-Medicare – from 6.50 percent initial, 4 percent ultimate to 9.00 percent initial, 3.94 percent ultimate
  - Prescription Drug Medicare – from 29.98 percent initial, 4 percent ultimate to -5.47 percent initial, 3.94 percent ultimate
- Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.

**Northwest Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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**School Employees Retirement System**

**Pension**

**Changes in benefit terms**

There were no changes to benefit terms for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

There were no changes to benefit terms for fiscal years 2019 through 2021.

For fiscal year 2022, the following was the most significant change in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from 2.5 percent to 2.0 percent.

For fiscal year 2023, the following was the most significant change in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from 2.0 percent to 2.5 percent.

**Changes in assumptions**

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

- Assumed rate of inflation was reduced from 3.25 percent to 3.0 percent
- Payroll Growth Assumption was reduced from 4.0 percent to 3.5 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.5 percent
- Investment rate of return was reduced from 7.75 percent to 7.5 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- 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. The above rates represent the base rates used.
- 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 percent of male rates, and 110 percent of female rates.
- Mortality among disabled member was updated to the following:
  - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

There were no changes in assumptions for fiscal years 2019 through 2021.

**Northwest Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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For fiscal year 2022, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

- Assumed rate of inflation was reduced from 3.0 percent to 2.4 percent
- Payroll Growth Assumption was reduced from 3.5 percent to 3.25 percent
- Investment rate of return was reduced from 7.5 percent to 7.0 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among members was updated to the following:
  - PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females.
- Mortality among disabled members was updated to the following:
  - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females.

There were no changes in assumptions for fiscal year 2023.

## **OPEB**

### Changes in benefit terms

There were no changes to benefit terms for fiscal years 2017 through 2023.

### Changes in assumptions

For fiscal year 2017, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25 percent to 3.0 percent
- Payroll growth assumption was reduced from 4.0 percent to 3.5 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.5 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- 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.
- 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.
- Mortality among disabled members was updated to the following:
  - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63 percent.
- The municipal bond index rate increased from 2.92 percent to 3.56 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98 percent to 3.63 percent.

**Northwest Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 3.63 percent to 3.70 percent.
- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changed as follows:
  - Medicare – 2018 – 5.50 to 5.00 percent, 2019 – 5.375 to 4.75 percent
  - Pre-Medicare – 2018 – 7.50 to 5.00 percent, 2019 – 7.25 to 4.75

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.62 percent to 3.13 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70 percent to 3.22 percent.
- The medical trend assumption rate changed as follows:
  - Medicare – 2019 – 5.375 to 4.75 percent, 2020 – 5.25 to 4.75 percent
  - Pre-Medicare – 2019 – 7.25 to 4.75, 2020 – 7 to 4.75 percent

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.13 percent to 2.45 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22 percent to 2.63 percent.

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The inflation rate decreased from 3.0 percent to 2.4 percent.
- Projected salary increases decreased from 3.5 percent to 3.25 percent.
- Investment rate of return decreased from 7.5 percent to 7.0 percent.
- The municipal bond index rate decreased from 2.45 percent to 1.92 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 2.63 percent to 2.27 percent.
- The medical trend assumption rate changed as follows:
  - Medicare – 2020 – 5.25 to 4.75 percent, 2022 – 5.125 to 4.4 percent
  - Pre-Medicare – 2020 – 7 to 4.75 percent, 2022 – 6.75 to 4.4 percent
- Mortality among members was updated to the following:
  - PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females.
- Mortality among disabled members was updated to the following:
  - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females.

**Northwest Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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For fiscal year 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate increased from 1.92 percent to 3.69 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.27 percent to 4.08 percent.

**Northwest Local School District**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2023*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal Assistance Listing Number	Federal Awards Expenditures
<b><u>United States Department of Agriculture</u></b>			
<i>Passed through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	N/A	10.553	\$249,178
National School Lunch Program	N/A	10.555	489,244
National School Lunch Program-Non-Cash Assistance	N/A	10.555	65,908
COVID-19 National School Lunch Program-Supply Chain	N/A	10.555	23,918
Total Child Nutrition Cluster			<u>828,248</u>
COVID-19 Pandemic EBT Administrative Costs	N/A	10.649	<u>628</u>
<b>Total United States Department of Agriculture</b>			<b>828,876</b>
<b><u>United States Department of Treasury</u></b>			
<i>Passed through the Ohio Facilities Construction Commission</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	SCV3	21.027	<u>77,861</u>
<b>Total United States Department of Treasury</b>			<b>77,861</b>
<b><u>United States Department of Education</u></b>			
<i>Passed through the Ohio Department of Education</i>			
Special Education Cluster (IDEA):			
Special Education-Grants to States	N/A	84.027A	382,106
Special Education-Preschool Grants	N/A	84.173A	5,809
Total Special Education Cluster (IDEA)			<u>387,915</u>
Title I Grants to Local Educational Agencies	N/A	84.010A	587,636
Title I Grants to Local Educational Agencies-School Improvement	N/A	84.010A	56,236
Total Title I Grants to Local Educational Agencies			<u>643,872</u>
Rural Education	N/A	84.358B	39,752
COVID-19 Education Stabilization Fund-ESSER	N/A	84.425D	284,526
COVID-19 Education Stabilization Fund-ARP ESSER	N/A	84.425U	2,833,086
Total COVID-19 Education Stabilization Fund			<u>3,117,612</u>
Supporting Effective Instruction State Grants	N/A	84.367A	73,880
Student Support and Academic Enrichment Program	N/A	84.424A	53,108
<b>Total United States Department of Education</b>			<b>4,316,139</b>
<b>Total Federal Financial Assistance</b>			<b><u>5,222,876</u></b>

N/A - pass through entity number not available.

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**Northwest Local School District**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*2 CFR 200.510(b)(6)*  
*For the Fiscal Year Ended June 30, 2023*

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) is a summary of the activity of the School District’s federal award programs. The information in this schedule is presented 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 School District, it is not intended to and does not present the financial position or changes in net position of the School District.

**Note 2 – 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**Note 3 – Indirect Cost Rate**

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

**Note 4 – Child Nutrition Cluster**

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

**Note 5 – Food Donation Program**

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

**Note 6 – Transfers Between Program Years**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program.

The School District transferred the following amounts from 2023 to 2024 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amount Transferred</u>
Title I Grants to Local Educational Agencies	84.010A	\$1,198
Education Stabilization Fund-ARP ESSER	84.425U	87,031
Student Support and Academic Enrichment Program	84.424A	679

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Education  
Northwest Local School District  
800 Mohawk Drive  
McDermott, Ohio 45652

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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Local School District, Scioto County, Ohio (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 26, 2024, wherein we noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Report on Compliance and Other Matters**

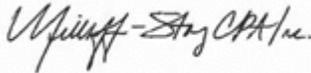
As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompany schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003.

### **School District's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

January 26, 2024



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**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Education  
Northwest Local School District  
800 Mohawk Drive  
McDermott, Ohio 45652

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

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

We have audited Northwest Local School District's (the School District) compliance with the types of compliance requirements described as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2023. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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 School 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 School 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 School District's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School 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 School 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 School 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**

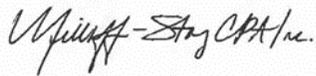
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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.

Northwest Local School District, Ohio  
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on  
the Schedule of Federal Awards Expenditures Required by the Uniform Guidance  
Page 3

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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

January 26, 2024

**Northwest Local School District**  
**Scioto County**  
*Schedule of Findings and Questioned Costs*  
*2 CFR Section 200.515*  
*For the Fiscal Year Ended June 30, 2023*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major program(s):	Child Nutrition Cluster, AL #10.553 & AL #10.555; COVID-19 Education Stabilization Fund, AL #84.425D & AL# 84.425U
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$750,000 Type B: all others
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

**Finding 2023-001 – Noncompliance – Expenditures in Excess of Appropriations**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The School District had expenditures in excess of appropriations in the ESSER fund of \$200,095. The School District should monitor financial activity to ensure their expenditures do not exceed the amount appropriated.

*Client response:*

See accompanying corrective action plan.

**Finding 2023-002 – Noncompliance – Appropriations in Excess of Estimated Resources**

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. The School District had appropriations in excess of estimated resources in the ESSER fund of \$197,760. The School District should implement the appropriate procedures, such as periodic comparisons of estimated resources to appropriations, to ensure that appropriations are limited to estimated resources to ensure improper spending does not occur.

*Client response:*

See accompanying corrective action plan.

**Northwest Local School District**  
**Scioto County**  
*Schedule of Findings and Questioned Costs*  
*2 CFR Section 200.515*  
*For the Fiscal Year Ended June 30, 2023*

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**Finding 2023-003 – Noncompliance – Certification of Available Revenue**

Ohio Revised Code Section 5705.36(A)(5) states, in part, that the total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation. The School District had total appropriations in excess of the amount set forth as available for expenditure in the ESSER fund of \$466,437. The School District should implement the appropriate procedures, such as periodic comparisons of available revenue to total appropriations, to ensure that appropriations are limited to available resources to ensure improper spending does not occur.

*Client response:*

See accompanying corrective action plan.

<b>Section III – Federal Award Findings and Questioned Costs</b>
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**None**



# NORTHWEST LOCAL SCHOOL DISTRICT

Administrative Offices

800 Mohawk Drive • McDermott, OH 45652

Telephone: (740) 259-5558 • Fax: (740) 259-3476

*A. Todd Jenkins, Superintendent*

*Julie L. Smith, Treasurer*

*Corrective Action Plan*

*2 CFR Section 200.511(c)*

*For the Fiscal Year Ended June 30, 2023*

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-001	Appropriations are reviewed on a monthly basis. The issue at hand was a result of a clerical error in which a purchase order was issued during the week of close out with an incorrect date. This date placed it in FY23 inadvertently while close out was in process. To avoid the issue in the future, purchase orders will not be issued during the week of close out, and final appropriations will be reviewed multiple times during the close out process.	6/30/2024	Julie Smith, Treasurer
2023-002	Appropriations are reviewed on a monthly basis. The issue at hand was a result of a clerical error in which a purchase order was issued during the week of close out with an incorrect date. This date placed it in FY23 inadvertently while close out was in process. To avoid the issue in the future, purchase orders will not be issued during the week of close out, and final appropriations will be reviewed multiple times during the close out process.	6/30/2024	Julie Smith, Treasurer
2023-003	Appropriations are reviewed on a monthly basis. The issue at hand was a result of a clerical error in which a purchase order was issued during the week of close out with an incorrect date. This date placed it in FY23 inadvertently while close out was in process. To avoid the issue in the future, purchase orders will not be issued during the week of close out, and final appropriations will be reviewed multiple times during the close out process.	6/30/2024	Julie Smith, Treasurer

# OHIO AUDITOR OF STATE KEITH FABER



**NORTHWEST LOCAL SCHOOL DISTRICT**

**SCIOTO COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/28/2024**

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

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