

**Northwestern Local School District  
Clark County, Ohio**

**SINGLE AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Northwestern Local School District  
5610 Troy Road  
Springfield, OH 45502

We have reviewed the *Independent Auditor's Report* of the Northwestern Local School District, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2019 through June 30, 2020. 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. The Northwestern Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

January 15, 2021

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## TABLE OF CONTENTS

Independent Auditors' Report .....	1-2
Management's Discussion and Analysis.....	3-15
Basic Financial Statements:	
Statement of Net Position.....	17
Statement of Activities.....	18
Balance Sheet – Governmental Funds.....	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	23
Notes to the Basic Financial Statements.....	25-65
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio.....	68-69
State Teachers Retirement System (STRS) of Ohio .....	70-71
Schedule of District Pension Contributions:	
School Employees Retirement System (SERS) of Ohio.....	72-73
State Teachers Retirement System (STRS) of Ohio .....	74-75
Schedule of District's Proportionate Share of the Net OPEB Asset or Liability:	
School Employees Retirement System (SERS) of Ohio.....	76
State Teachers Retirement System (STRS) of Ohio .....	77
Schedule of District's OPEB Contributions:	
School Employees Retirement System (SERS) of Ohio.....	78-79
State Teachers Retirement System (STRS) of Ohio .....	80-81
Notes to the Required Supplementary Information .....	82-83
Schedule of Expenditures of Federal Awards.....	84
Notes to the Schedule of Expenditures of Federal Awards .....	85
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	86-87
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	88-89
Schedule of Findings and Questioned Costs.....	90

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Northwestern Local School District  
5610 Troy Road  
Springfield, Ohio 45502

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwestern Local School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwestern Local School District, as of June 30, 2020, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions were not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as well as the schedules of the District's pension and OPEB amounts and contributions, and related notes to the supplementary information (as listed in the table of contents) be presented to supplement the basic financial statements. Such information, 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.

#### *Other Information*

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

The schedule of expenditures of federal awards 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. Such 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 December 29, 2020 our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 29, 2020



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The management's discussion and analysis of the Northwestern Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position of governmental activities decreased \$129,698 which represents a 0.72% decrease from fiscal year 2019 restated net position.
- General revenues accounted for \$19,414,280 in revenue or 81.73% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,339,018 or 18.27% of total revenues of \$23,753,298.
- The District had \$23,882,996 in expenses related to governmental activities; only \$4,339,018 of these expenses were offset by program specific charges for services and grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,414,280 were not adequate to provide for these programs.
- The District's major funds are the general fund and the bond retirement fund. The general fund had \$18,553,134 in revenues and \$17,928,665 in expenditures and other financing uses. During fiscal year 2020, the general fund's fund balance increased \$624,469 from a balance of \$7,668,306 to a balance of \$8,292,775.
- The bond retirement fund had \$3,050,916 in revenues and \$1,845,040 in expenditures. During fiscal year 2020, the bond retirement fund's fund balance increased \$1,205,876 from a balance of \$7,743,658 to a balance of \$8,949,534.

**Using these Basic Financial Statements**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

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

**Fund Financial Statements**

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major funds are the general fund and the bond retirement fund.

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-65 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 68-83 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**The District as a Whole**

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

The table below provides a summary of the District's net position at June 30, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3.

	<b>Net Position</b>	
	Governmental Activities 2020	Restated Governmental Activities 2019
<b><u>Assets</u></b>		
Current and other assets	\$ 29,543,450	\$ 27,405,499
Net OPEB asset	1,075,811	1,065,477
Capital assets, net	<u>44,660,126</u>	<u>46,444,543</u>
Total assets	<u>75,279,387</u>	<u>74,915,519</u>
<b><u>Deferred outflows</u></b>		
Pension	3,590,436	5,150,755
OPEB	<u>413,946</u>	<u>313,094</u>
Total deferred outflows	<u>4,004,382</u>	<u>5,463,849</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,116,812	2,064,469
Long-term liabilities:		
Due within one year	407,667	421,043
Due in more than one year		
Net pension liability	18,522,173	18,529,014
Net OPEB liability	1,793,551	1,947,998
Other amounts	<u>29,546,589</u>	<u>29,887,633</u>
Total liabilities	<u>52,386,792</u>	<u>52,850,157</u>
<b><u>Deferred inflows</u></b>		
Property taxes levied for the next fiscal year	5,854,459	6,145,997
Pension	1,279,531	1,463,510
OPEB	<u>1,875,822</u>	<u>1,902,841</u>
Total deferred inflows	<u>9,009,812</u>	<u>9,512,348</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	15,626,071	17,061,931
Restricted	12,700,355	10,889,990
Unrestricted (deficit)	<u>(10,439,261)</u>	<u>(9,935,058)</u>
Total net position	<u>\$ 17,887,165</u>	<u>\$ 18,016,863</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Over time, net position can serve as a useful indicator of government's financial position. At June 30, 2020, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$17,887,165. Of this total, \$12,700,355 is restricted in use.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 12 for more detail.

Total assets include a net OPEB asset reported by STRS. See Note 13 for more detail.

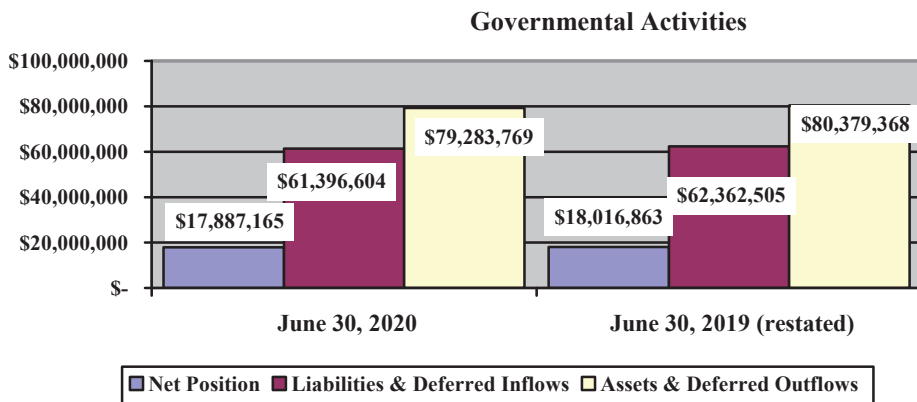
At year end, capital assets represented 59.33% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investments in capital assets at June 30, 2020, was \$15,626,071. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Deferred inflows related to OPEB decreased primarily due to changes in assumptions by STRS. See Note 13 for more detail.

Long-term liabilities decreased primarily due to a decrease in the net pension liability and net OPEB liability. These liabilities are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

A portion of the District's net position, \$12,700,355, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$10,439,261.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The table below shows the change in net position for fiscal year 2020 and 2019. Due to practicality, 2019 revenues and expenses in the table below have not been adjusted to reflect the implementation of GASB No. 84 (see Note 3). Rather, the cumulative impact of applying GASB No. 84 is reflected in the beginning net position for 2019.

**Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,332,767	\$ 2,207,951
Operating grants and contributions	2,006,251	1,689,774
General revenues:		
Property taxes	7,853,514	7,144,093
School District income taxes	2,264,821	2,483,753
Grants and entitlements	8,058,548	8,930,223
Investment earnings	1,206,562	927,547
Miscellaneous	<u>30,835</u>	<u>33,558</u>
Total revenues	<u>23,753,298</u>	<u>23,416,899</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	10,838,903	9,411,760
Special	3,036,806	2,758,644
Other	1,075	299
Support services:		
Pupil	1,227,222	908,438
Instructional staff	955,829	754,585
Board of education	82,940	70,438
Administration	1,132,345	965,985
Fiscal	612,694	502,673
Operations and maintenance	1,667,630	1,585,960
Pupil transportation	1,158,502	1,008,024
Central	17,611	-
Operation of non-instructional services:		
Food service operations	591,550	498,300
Other non-instructional services	41,402	45,732
Extracurricular activities	812,343	509,192
Interest and fiscal charges	<u>1,706,144</u>	<u>1,721,167</u>
Total expenses	<u>23,882,996</u>	<u>20,741,197</u>
Changes in net position	(129,698)	2,675,702
Net position at beginning of year (restated)	<u>18,016,863</u>	<u>15,341,161</u>
Net position at end of year	<u>\$ 17,887,165</u>	<u>\$ 18,016,863</u>

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Governmental Activities**

Net position of the District’s governmental activities decreased \$129,698. Total governmental expenses of \$23,882,996 were partially offset by program revenues of \$4,339,018 and general revenues of \$19,414,280. Program revenues supported 18.17% of the total governmental expenses.

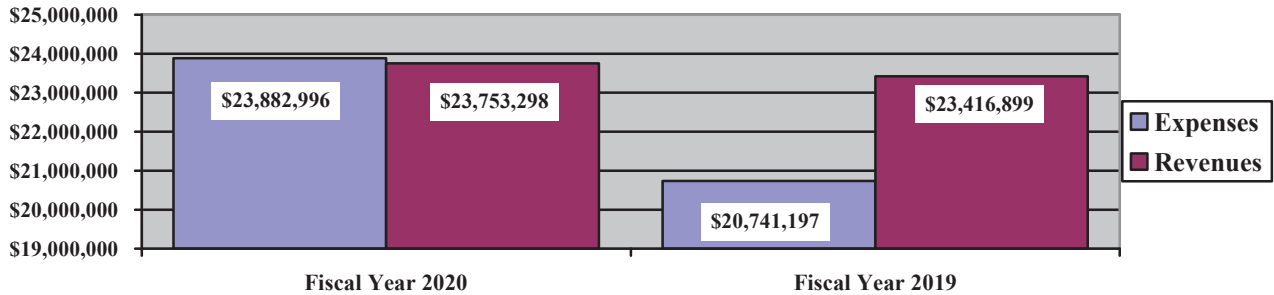
Overall, expenses of the governmental activities increased \$3,141,799 or 15.15%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment (“COLA”) and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in a prior fiscal year.

On an accrual basis, the District reported \$2,740,386 and \$1,758,709 in pension expense for fiscal year 2020 and 2019, respectively. In addition, the District reported (\$245,370) and (\$2,190,591) in OPEB expense for fiscal year 2020 and 2019, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2019 to fiscal year 2020 was \$2,926,898. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements not restricted to specific programs. These revenue sources represent 76.52% of total governmental revenue. Real estate property is reappraised every six years.

The graph below presents the District’s governmental activities revenue and expenses for fiscal year 2020 and 2019.

**Governmental Activities - Revenues and Expenses**





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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

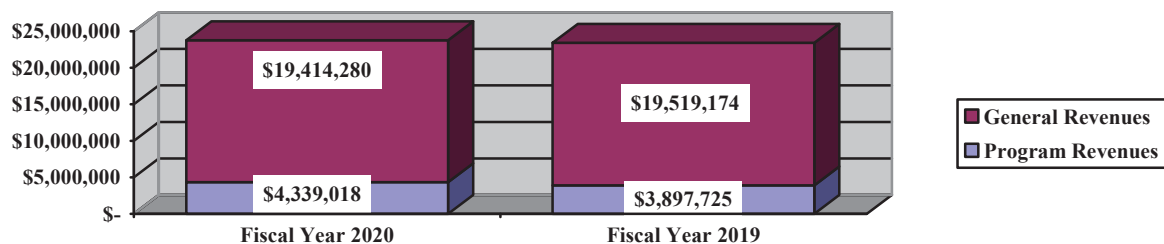
**Governmental Activities**

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Program expenses:				
Instruction:				
Regular	\$ 10,838,903	\$ 9,075,609	\$ 9,411,760	\$ 7,697,052
Special	3,036,806	1,561,868	2,758,644	1,450,115
Other	1,075	1,075	299	299
Support services:				
Pupil	1,227,222	1,022,364	908,438	898,202
Instructional staff	955,829	831,826	754,585	661,197
Board of Education	82,940	82,940	70,438	70,438
Administration	1,132,345	1,132,345	965,985	965,985
Fiscal	612,694	612,694	502,673	502,673
Operations and maintenance	1,667,630	1,664,430	1,585,960	1,572,095
Pupil transportation	1,158,502	1,092,739	1,008,024	982,504
Central	17,611	17,611	-	-
Operation of non-instructional services:				
Food service operations	591,550	113,366	498,300	(39,305)
Other non-instructional services	41,402	8,099	45,732	(210)
Extracurricular activities	812,343	620,868	509,192	361,260
Interest and fiscal charges	<u>1,706,144</u>	<u>1,706,144</u>	<u>1,721,167</u>	<u>1,721,167</u>
<b>Total expenses</b>	<b><u>\$ 23,882,996</u></b>	<b><u>\$ 19,543,978</u></b>	<b><u>\$ 20,741,197</u></b>	<b><u>\$ 16,843,472</u></b>

The dependence upon tax and other general revenues for governmental activities is apparent, 76.66% of instruction activities in fiscal year 2020 are supported through taxes and other general revenues as for all governmental activities, general revenue support is 81.83%. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2020 and 2019.

**Governmental Activities - General and Program Revenues**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$21,047,865 which is higher than last year's restated total of \$18,643,289. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019. The fund balances at June 30, 2019 have been restated as described in Note 3.

	Fund Balance <u>June 30, 2020</u>	Restated Fund Balance <u>June 30, 2019</u>	<u>Change</u>
General	\$ 8,292,775	\$ 7,668,306	\$ 624,469
Bond retirement	8,949,534	7,743,658	1,205,876
Other governmental	<u>3,805,556</u>	<u>3,231,325</u>	<u>574,231</u>
Total	<u>\$ 21,047,865</u>	<u>\$ 18,643,289</u>	<u>\$ 2,404,576</u>

**General Fund**

The District's general fund balance increased \$624,469. Taxes increased due to increased collections. Earnings on investments increased due to an increase in interest rates. Intergovernmental revenues decreased due to decreased revenues from the State of Ohio in the form of foundation payments. Other revenues increased mainly due to an increase in tuition receipts. Expenditures related to support services expenses increased during the year due to a slight increase in personnel costs. All other expenditures remained comparable to the prior fiscal year or changed an insignificant dollar amount.

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

	<u>2020 Amount</u>	<u>2019 Amount</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,274,574	\$ 7,948,425	4.10 %
Earnings on investments	361,835	297,712	21.54 %
Intergovernmental	7,946,645	8,308,650	(4.36) %
Other revenues	<u>1,970,080</u>	<u>1,804,650</u>	9.17 %
Total	<u>\$ 18,553,134</u>	<u>\$ 18,359,437</u>	1.06 %
<b><u>Expenditures</u></b>			
Instruction	\$ 10,934,652	\$ 11,149,800	(1.93) %
Support services	6,122,684	6,061,608	1.01 %
Extracurricular activities	<u>406,701</u>	<u>383,222</u>	6.13 %
Total	<u>\$ 17,464,037</u>	<u>\$ 17,594,630</u>	(0.74) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**Bond Retirement Fund**

The bond retirement fund had \$3,050,916 in revenues and \$1,845,040 in expenditures. During fiscal year 2020, the bond retirement fund's fund balance increased \$1,205,876 from a balance of \$7,743,658 to a balance of \$8,949,534.

**General Fund Budgeting Highlights**

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

For the general fund, original and final budgeted revenues and other financing sources were \$18,347,450. The District made changes to its line item budgets for revenues and other financing sources, but did not change the total, as it expected to receive more revenue in certain areas, such as property taxes. Actual revenues and other financing sources for fiscal 2020 were \$18,393,076 which was \$45,626 higher than the final budgeted revenues.

General fund original expenditures and other financing uses of \$18,682,235 were increased to \$19,281,420 in the final budget. The areas of increase were primarily pupil support services and instructional staff support services. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$18,166,414, which was \$1,115,006 less than the final budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2020, the District had \$44,660,126 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2020 balances compared to June 30, 2019.

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 479,604	\$ 479,604
Land improvements	5,303,528	5,792,731
Building and improvements	37,041,884	38,261,000
Furniture and equipment	1,179,253	1,347,069
Vehicles	<u>655,857</u>	<u>564,139</u>
<b>Total</b>	<b><u>\$ 44,660,126</u></b>	<b><u>\$ 46,444,543</u></b>

The overall decrease in capital assets of \$1,784,417 is due to depreciation expense of \$1,999,694 and disposals (net of accumulated depreciation) of \$4,915 exceeding capital outlays of \$220,192 in the current period.

See Note 9 to the basic financial statements for detail.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Debt Administration**

At June 30, 2020, the District had \$27,275,000 in general obligation bonds and \$1,525,000 in a lease purchase agreement outstanding. Of this total, \$330,000 is due within one year and \$28,470,000 is due within greater than one year. The following table summarizes the liabilities outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2020	Governmental Activities 2019
General obligation bonds	\$ 27,275,000	\$ 27,475,000
Lease purchase agreement	1,525,000	1,655,000
Total	\$ 28,800,000	\$ 29,130,000

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

**Current Financial Related Activities**

The District is currently in good financial condition. Although stable, there are factors that could have a negative impact in the future.

The Substitute Levy that was renewed for five more years in March 2016 represents nearly 10% of the General Fund operating revenue. The Permanent Improvement Levy was renewed for six years in November 2015. Property values in the District were reappraised in 2019. Residential values increased by 11.9%, while agricultural values decreased by 14.4%. Changes in CAUV calculations in future years are expected to have a significant decrease in agricultural land values. This will not result in a major decrease in tax receipts, but will shift more of the tax burden to residential taxpayers and could be a factor in renewing the Substitute Levy.

State funding in fiscal year 2020 was decreased by 4.1% compared to fiscal year 2019 due to the global coronavirus pandemic. It is anticipated that the state funding will remain at the fiscal year 2020 level for fiscal year 2021. State funding is based on the number of students enrolled. Student enrollment is projected to decrease in fiscal year 2021 and future years. If the projections hold, it will result in reduced state funding. It is unknown how future changes to the state funding formula will affect the District.

Negotiated agreements with both unions were completed in 2019. The agreements are in affect from July 1, 2019 – June 30, 2022. The results of the negotiations increase expenditures on salaries and benefits. The district experienced a significant increase in health insurance premiums which was a factor in the negotiations. Health care costs remain a financial concern.

In conclusion, the District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls are well regarded. Reduced enrollment and increases in expenditures present possible major challenges. It is crucial for the District to avoid deficit spending however the challenges presented during the global pandemic will undoubtedly have a negative impact. Budget cuts may be necessary in the future if the revenue does not increase at the same pace as expenditures. In addition, the Board of Education has passed a cash balance policy that sets a minimum target cash balance. If balances hit upper targets, some funds will be used for capital projects or early debt retirement. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2020

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 12,679,841
Receivables:	
Property taxes . . . . .	7,914,371
Income taxes . . . . .	737,862
Accounts . . . . .	40,666
Accrued interest . . . . .	62,336
Intergovernmental . . . . .	23,225
Prepayments . . . . .	13,506
Materials and supplies inventory . . . . .	84,344
Inventory held for resale . . . . .	9,175
Net OPEB asset (Note 13) . . . . .	1,075,811
Restricted investments with trustee . . . . .	7,978,124
Capital assets:	
Nondepreciable capital assets . . . . .	479,604
Depreciable capital assets, net . . . . .	44,180,522
Capital assets, net . . . . .	44,660,126
Total assets . . . . .	75,279,387
<b>Deferred outflows of resources:</b>	
Pension (Note 12) . . . . .	3,590,436
OPEB (Note 13) . . . . .	413,946
Total deferred outflows of resources . . . . .	4,004,382
<b>Liabilities:</b>	
Accounts payable . . . . .	34,606
Accrued wages and benefits payable . . . . .	1,662,935
Intergovernmental payable . . . . .	154,053
Pension and postemployment benefits payable . . . . .	255,764
Accrued interest payable . . . . .	9,454
Long-term liabilities:	
Due within one year . . . . .	407,667
Due in more than one year:	
Net pension liability (Note 12) . . . . .	18,522,173
Net OPEB liability (Note 13) . . . . .	1,793,551
Other amounts due in more than one year . . . . .	29,546,589
Total liabilities . . . . .	52,386,792
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	5,854,459
Pension (Note 12) . . . . .	1,279,531
OPEB (Note 13) . . . . .	1,875,822
Total deferred inflows of resources . . . . .	9,009,812
<b>Net position:</b>	
Net investment in capital assets . . . . .	15,626,071
Restricted for:	
Capital projects . . . . .	2,299,699
Classroom facilities maintenance . . . . .	919,640
Debt service . . . . .	9,025,934
State funded programs . . . . .	132,657
Student activities . . . . .	128,806
Other purposes . . . . .	193,619
Unrestricted (deficit) . . . . .	(10,439,261)
Total net position . . . . .	\$ 17,887,165

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 10,838,903	\$ 1,636,732	\$ 126,562	\$ (9,075,609)
Special . . . . .	3,036,806	297,053	1,177,885	(1,561,868)
Other . . . . .	1,075	-	-	(1,075)
Support services:				
Pupil . . . . .	1,227,222	640	204,218	(1,022,364)
Instructional staff . . . . .	955,829	-	124,003	(831,826)
Board of education . . . . .	82,940	-	-	(82,940)
Administration . . . . .	1,132,345	-	-	(1,132,345)
Fiscal . . . . .	612,694	-	-	(612,694)
Operations and maintenance . . . . .	1,667,630	3,200	-	(1,664,430)
Pupil transportation . . . . .	1,158,502	649	65,114	(1,092,739)
Central . . . . .	17,611	-	-	(17,611)
Operation of non-instructional services:				
Food service operations . . . . .	591,550	181,959	296,225	(113,366)
Other non-instructional services . . . . .	41,402	33,303	-	(8,099)
Extracurricular activities . . . . .	812,343	179,231	12,244	(620,868)
Interest and fiscal charges . . . . .	1,706,144	-	-	(1,706,144)
Total governmental activities . . . . .	<u>\$ 23,882,996</u>	<u>\$ 2,332,767</u>	<u>\$ 2,006,251</u>	<u>(19,543,978)</u>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				5,988,114
Facilities maintenance . . . . .				110,721
Debt service . . . . .				1,562,247
Capital . . . . .				192,432
Income taxes levied for:				
General purposes . . . . .				2,264,821
Grants and entitlements not restricted				
to specific programs . . . . .				8,058,548
Investment earnings . . . . .				1,206,562
Miscellaneous . . . . .				30,835
Total general revenues . . . . .				<u>19,414,280</u>
Change in net position . . . . .				(129,698)
<b>Net position at beginning of year (restated) . . . . .</b>				<u>18,016,863</u>
<b>Net position at end of year . . . . .</b>				<u>\$ 17,887,165</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 8,237,041	\$ 1,517,389	\$ 2,925,411	\$ 12,679,841
<b>Receivables:</b>				
Property taxes . . . . .	6,155,799	1,567,137	191,435	7,914,371
Income taxes . . . . .	737,862	-	-	737,862
Accounts . . . . .	40,666	-	-	40,666
Accrued interest . . . . .	21,501	36,863	3,972	62,336
Intergovernmental . . . . .	23,225	-	-	23,225
Prepayments . . . . .	13,216	-	290	13,506
Materials and supplies inventory . . . . .	80,412	-	3,932	84,344
Inventory held for resale . . . . .	-	-	9,175	9,175
<b>Restricted assets:</b>				
Restricted investments with trustee . . . . .	-	7,105,202	872,922	7,978,124
<b>Total assets</b> . . . . .	<u>\$ 15,309,722</u>	<u>\$ 10,226,591</u>	<u>\$ 4,007,137</u>	<u>\$ 29,543,450</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 33,769	\$ -	\$ 837	\$ 34,606
Accrued wages and benefits payable . . . . .	1,626,287	-	36,648	1,662,935
Intergovernmental payable . . . . .	153,591	-	462	154,053
Pension and postemployment benefits payable . . . . .	241,200	-	14,564	255,764
<b>Total liabilities</b> . . . . .	<u>2,054,847</u>	<u>-</u>	<u>52,511</u>	<u>2,107,358</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	4,525,378	1,191,203	137,878	5,854,459
Delinquent property tax revenue not available . . . . .	219,801	50,681	7,220	277,702
Income tax revenue not available . . . . .	149,042	-	-	149,042
Intergovernmental revenue not available . . . . .	13,218	-	-	13,218
Accrued interest not available . . . . .	13,995	35,173	3,972	53,140
Miscellaneous revenue not available . . . . .	40,666	-	-	40,666
<b>Total deferred inflows of resources</b> . . . . .	<u>4,962,100</u>	<u>1,277,057</u>	<u>149,070</u>	<u>6,388,227</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Materials and supplies inventory . . . . .	80,412	-	3,932	84,344
Prepays . . . . .	13,216	-	290	13,506
<b>Restricted:</b>				
Debt service . . . . .	-	8,949,534	872,922	9,822,456
Capital improvements . . . . .	-	-	2,335,225	2,335,225
Food service operations . . . . .	-	-	201,512	201,512
Student wellness and success . . . . .	-	-	132,657	132,657
Extracurricular . . . . .	-	-	128,806	128,806
Endowments . . . . .	-	-	5,720	5,720
<b>Committed:</b>				
Latchkey programs . . . . .	-	-	124,492	124,492
<b>Assigned:</b>				
Student instruction . . . . .	21,345	-	-	21,345
Student and staff support . . . . .	237,372	-	-	237,372
Subsequent year's appropriations . . . . .	1,572,433	-	-	1,572,433
Insurance reserve . . . . .	71,475	-	-	71,475
Unassigned . . . . .	6,296,522	-	-	6,296,522
<b>Total fund balances</b> . . . . .	<u>8,292,775</u>	<u>8,949,534</u>	<u>3,805,556</u>	<u>21,047,865</u>
<b>Total liabilities, deferred inflows and fund balances</b> . . . . .	<u>\$ 15,309,722</u>	<u>\$ 10,226,591</u>	<u>\$ 4,007,137</u>	<u>\$ 29,543,450</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2020

<b>Total governmental fund balances</b>		\$	21,047,865
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			44,660,126
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds:			
Property taxes receivable	\$	277,702	
Income taxes receivable		149,042	
Accounts receivable		40,666	
Accrued interest receivable		53,140	
Intergovernmental receivable		13,218	
Total		533,768	533,768
Unamortized premiums on bonds issued are not recognized in the funds.			(234,055)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		3,590,436	
Deferred inflows of resources - pension		(1,279,531)	
Net pension liability		(18,522,173)	
Total		(16,211,268)	(16,211,268)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:			
Net OPEB asset		1,075,811	
Deferred outflows of resources - OPEB		413,946	
Deferred inflows of resources - OPEB		(1,875,822)	
Net OPEB liability		(1,793,551)	
Total		(2,179,616)	(2,179,616)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(9,454)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(27,275,000)	
Lease-purchase obligation		(1,525,000)	
Compensated absences		(920,201)	
Total		(29,720,201)	(29,720,201)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>17,887,165</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 5,989,218	\$ 1,564,335	\$ 303,094	\$ 7,856,647
Income taxes . . . . .	2,285,356	-	-	2,285,356
Tuition . . . . .	1,752,676	-	33,303	1,785,979
Earnings on investments . . . . .	361,835	749,976	99,742	1,211,553
Charges for services . . . . .	-	-	181,959	181,959
Extracurricular . . . . .	105,754	-	168,703	274,457
Classroom materials and fees . . . . .	65,670	-	14,785	80,455
Rental income . . . . .	3,200	-	-	3,200
Other local revenues . . . . .	42,780	-	25,878	68,658
Intergovernmental - state . . . . .	7,902,958	227,219	326,767	8,456,944
Intergovernmental - federal . . . . .	43,687	509,386	999,372	1,552,445
Total revenues . . . . .	<u>18,553,134</u>	<u>3,050,916</u>	<u>2,153,603</u>	<u>23,757,653</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,619,962	-	72,191	8,692,153
Special . . . . .	2,313,719	-	580,361	2,894,080
Other . . . . .	971	-	-	971
Support services:				
Pupil . . . . .	1,079,245	-	90,130	1,169,375
Instructional staff . . . . .	716,306	-	104,806	821,112
Board of education . . . . .	82,201	-	-	82,201
Administration . . . . .	1,052,476	14,165	2,136	1,068,777
Fiscal . . . . .	552,722	26,237	3,162	582,121
Operations and maintenance . . . . .	1,464,046	-	110,557	1,574,603
Pupil transportation . . . . .	1,158,077	-	33,770	1,191,847
Central . . . . .	17,611	-	-	17,611
Operation of non-instructional services:				
Food service operations . . . . .	-	-	532,148	532,148
Other non-instructional services . . . . .	-	-	37,659	37,659
Extracurricular activities . . . . .	406,701	-	191,941	598,642
Facilities acquisition and construction . . . . .	-	-	34,899	34,899
Debt service:				
Principal retirement . . . . .	-	200,000	130,000	330,000
Interest and fiscal charges . . . . .	-	1,604,638	120,240	1,724,878
Total expenditures . . . . .	<u>17,464,037</u>	<u>1,845,040</u>	<u>2,044,000</u>	<u>21,353,077</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,089,097</u>	<u>1,205,876</u>	<u>109,603</u>	<u>2,404,576</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	464,628	464,628
Transfers (out) . . . . .	<u>(464,628)</u>	-	-	<u>(464,628)</u>
Total other financing sources (uses) . . . . .	<u>(464,628)</u>	-	<u>464,628</u>	<u>-</u>
Net change in fund balances . . . . .	624,469	1,205,876	574,231	2,404,576
<b>Fund balances at</b>				
<b>beginning of year (restated) . . . . .</b>	<u>7,668,306</u>	<u>7,743,658</u>	<u>3,231,325</u>	<u>18,643,289</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 8,292,775</u>	<u>\$ 8,949,534</u>	<u>\$ 3,805,556</u>	<u>\$ 21,047,865</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Net change in fund balances - total governmental funds</b>	\$	2,404,576
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 220,192	
Current year depreciation	<u>(1,999,694)</u>	
Total		(1,779,502)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(4,915)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(3,133)	
Income taxes	(20,535)	
Tuition	6,717	
Earnings on investments	(622)	
Intergovernmental	<u>13,218</u>	
Total		(4,355)
Repayment of bond and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		330,000
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		18,557
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		
		177
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,370,887
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,740,386)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		47,282
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as negative OPEB expense in the statement of activities.		
		245,370
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(17,389)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(129,698)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 5,640,000	\$ 5,783,500	\$ 5,788,083	\$ 4,583
Income taxes. . . . .	2,580,000	2,436,500	2,398,415	(38,085)
Tuition. . . . .	1,430,000	1,605,400	1,811,291	205,891
Earnings on investments . . . . .	180,000	205,000	223,384	18,384
Classroom materials and fees . . . . .	63,950	63,950	65,030	1,080
Rental income . . . . .	11,000	11,000	5,333	(5,667)
Other local revenues . . . . .	10,000	10,000	21,388	11,388
Intergovernmental - state . . . . .	8,339,500	8,056,500	7,916,108	(140,392)
Intergovernmental - federal . . . . .	93,000	93,000	46,054	(46,946)
Total revenues . . . . .	<u>18,347,450</u>	<u>18,264,850</u>	<u>18,275,086</u>	<u>10,236</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,770,029	8,733,496	8,586,332	147,164
Special. . . . .	2,703,610	2,684,312	2,257,937	426,375
Other. . . . .	2,937	804	1,121	(317)
Support services:				
Pupil. . . . .	1,033,269	1,267,741	1,127,871	139,870
Instructional staff . . . . .	742,038	858,248	808,386	49,862
Board of education . . . . .	95,740	95,740	84,650	11,090
Administration. . . . .	1,068,408	1,104,683	1,066,933	37,750
Fiscal . . . . .	615,941	620,941	561,370	59,571
Operations and maintenance. . . . .	1,605,972	1,666,431	1,515,079	151,352
Pupil transportation . . . . .	1,254,057	1,228,441	1,178,894	49,547
Extracurricular activities. . . . .	435,234	435,234	402,492	32,742
Total expenditures . . . . .	<u>18,327,235</u>	<u>18,696,071</u>	<u>17,591,065</u>	<u>1,105,006</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>20,215</u>	<u>(431,221)</u>	<u>684,021</u>	<u>1,115,242</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	-	82,600	117,490	34,890
Transfers (out). . . . .	(345,000)	(575,349)	(575,349)	-
Advances (out) . . . . .	(10,000)	(10,000)	-	10,000
Sale of capital assets . . . . .	-	-	500	500
Total other financing sources (uses) . . . . .	<u>(355,000)</u>	<u>(502,749)</u>	<u>(457,359)</u>	<u>45,390</u>
Net change in fund balance . . . . .	(334,785)	(933,970)	226,662	1,160,632
<b>Fund balance at beginning of year . . . . .</b>	7,395,108	7,395,108	7,395,108	-
<b>Prior year encumbrances appropriated . . . . .</b>	37,642	37,642	37,642	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 7,097,965</u>	<u>\$ 6,498,780</u>	<u>\$ 7,659,412</u>	<u>\$ 1,160,632</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

The District is located in Clark County. The District is staffed by 73 non-certified employees including administrative employees and 103 certified full-time teaching personnel who provide services to 1,713 students and other community members.

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

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

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

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

- Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

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

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

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

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

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

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

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

**C. Fund Accounting**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

*GOVERNMENTAL FUNDS*

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

The District reports the following major governmental funds:

General Fund - The general fund is the School's District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

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

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

*FIDUCIARY FUND*

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 have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District did not have any fiduciary activities in fiscal year 2020.

**D. Budgetary Process**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

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

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

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

**E. Cash and Cash Equivalents**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

During fiscal year 2020, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Farm Credit Bank (FFCB) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, commercial paper, U.S. Treasury discount notes, U.S. Treasury bills, U.S. Treasury notes, a U.S. Government money market mutual fund, and negotiable certificates of deposit. Except for investments in STAR Ohio, investments are reported at fair value which is based on quoted market prices.

During fiscal year 2020, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year amounted to \$361,835 which includes \$67,180 assigned from other funds.

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

**F. Inventory**

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

**G. Prepaid Items**

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

**H. Capital Assets and Depreciation**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

Vacation 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The entire liability is reported on the government-wide statement of net position.

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

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

**L. Interfund Transactions**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 and Note 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 12 and Note 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position

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

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

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

**O. Restricted Assets**

Restricted investments with trustee represent the year-end balance in the mandatory sinking fund related to the payments made as part of the trustee indenture. Similar payments related to the Energy Conservation Bonds are also reported as restricted assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**P. Fund Balance**

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**Q. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**R. Estimates**

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

**S. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2020, the balance in the budget stabilization reserve was \$201,431. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

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

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

**U. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**V. Fair Value Measurement**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2020, the District has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its agency funds and the funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District's financial statements.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

**B. Restatement of Net Position and Fund Balances**

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2019:

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance as previously reported	\$ 7,668,306	\$ 7,743,658	\$ 3,180,370	\$ 18,592,334
GASB Statement No. 84	<u>-</u>	<u>-</u>	<u>50,955</u>	<u>50,955</u>
Restated Fund Balance, at June 30, 2019	<u>\$ 7,668,306</u>	<u>\$ 7,743,658</u>	<u>\$ 3,231,325</u>	<u>\$ 18,643,289</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

	Governmental Activities
Net position as previously reported	\$ 17,965,908
GASB Statement No. 84	50,955
Restated net position at June 30, 2019	\$ 18,016,863

Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$110,966.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

**A. Restricted Investments with Trustee**

At fiscal year-end, \$7,978,124 was on deposit with an escrow agent for monies held in relation to the District's sinking fund deposits that are required for the District's Series 2010 Qualified School Construction bonds and the Series 2011 Qualified School Construction bonds (See Note 10).

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

**B. Deposits with Financial Institutions**

At June 30, 2020, the carrying amount of all District deposits was \$5,412,943 and the bank balance of all District deposits was \$5,532,660. The entire bank balance was covered by the FDIC. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**C. Investments**

As of June 30, 2020, the District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
FNMA	\$ 149,842	\$ -	\$ -	\$ -	\$ -	\$ 149,842
FFCB	590,655	-	-	-	299,491	291,164
FHLMC	450,069	-	-	-	300,043	150,026
U.S. Government Money Market Mutual Fund	14,326	14,326	-	-	-	-
U.S. Treasury Discount notes	289,656	-	289,656	-	-	-
U.S. Treasury bills	299,911	299,911	-	-	-	-
U.S. Treasury notes	196,569	-	196,569	-	-	-
Commercial Paper	743,937	394,762	349,175	-	-	-
Negotiable CDs	4,362,679	-	756,824	254,209	1,533,047	1,818,599
Amortized Cost:						
STAR Ohio	169,254	169,254	-	-	-	-
<b>Total</b>	<b>\$ 7,266,898</b>	<b>\$ 878,253</b>	<b>\$ 1,592,224</b>	<b>\$ 254,209</b>	<b>\$ 2,132,581</b>	<b>\$ 2,409,631</b>

The weighted average maturity of investments is 1.81 years.

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

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less. The District's investment policy also requires that the investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	<u>% of Total</u>
Fair Value:		
FNMA	\$ 149,842	2.06
FFCB	590,655	8.13
FHLMC	450,069	6.19
U.S. Government Money Market Mutual Fund	14,326	0.20
U.S. Treasury Discount Notes	289,656	3.99
U.S. Treasury bills	299,911	4.13
U.S. Treasury notes	196,569	2.70
Commercial Paper	743,937	10.24
Negotiable CDs	4,362,679	60.03
Amortized Cost:		
STAR Ohio	169,254	2.33
Total	<u>\$ 7,266,898</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,412,943
Restricted investments with trustee	7,978,124
Investments	<u>7,266,898</u>
Total	<u>\$ 20,657,965</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 20,657,965</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2020, consisted of the following, as reported in the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 464,628</u>

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Clark and Champaign Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$1,410,620 in the general fund, \$325,253 in the bond retirement fund and \$46,337 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2019 was \$1,098,764 in the general fund, \$262,469 in the bond retirement fund and \$35,620 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 221,762,520	95.46	\$ 233,838,110	95.09
Public utility personal	<u>10,551,260</u>	<u>4.54</u>	<u>12,067,430</u>	<u>4.91</u>
Total	<u>\$ 232,313,780</u>	<u>100.00</u>	<u>\$ 245,905,540</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$39.18		\$38.51	

**NOTE 7 - INCOME TAX**

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

Employers with employees based in the state of Ohio are required to withhold income tax on employee compensation and remit the tax to the Ohio Department of Taxation either monthly or quarterly. Individuals may make estimated payments.

Income tax proceeds are to be used to pay general fund operations of the District. The proceeds are allocated to the General Fund. Income tax revenue for fiscal year 2020 on the modified accrual basis was \$2,285,356.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2020 consisted of taxes, accounts (billings for user charged services, rentals and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

<b>Governmental activities</b>	
Property taxes	\$ 7,914,371
Income taxes	737,862
Accounts	40,666
Intergovernmental	23,225
Accrued interest	<u>62,336</u>
Total governmental activities	<u>\$ 8,778,460</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year-ended June 30, 2020, was as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Reclassification/ Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 479,604	\$ -	\$ -	\$ 479,604
Total capital assets, not being depreciated	<u>479,604</u>	<u>-</u>	<u>-</u>	<u>479,604</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	9,410,618	-	-	9,410,618
Buildings and improvements	45,468,077	15,947	-	45,484,024
Furniture and equipment	3,315,421	30,947	-	3,346,368
Vehicles	<u>2,118,384</u>	<u>173,298</u>	<u>(49,153)</u>	<u>2,242,529</u>
Total capital assets, being depreciated	<u>60,312,500</u>	<u>220,192</u>	<u>(49,153)</u>	<u>60,483,539</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(3,617,887)	(489,203)	-	(4,107,090)
Buildings and improvements	(7,207,077)	(1,235,063)	-	(8,442,140)
Furniture and equipment	(1,968,352)	(198,763)	-	(2,167,115)
Vehicles	<u>(1,554,245)</u>	<u>(76,665)</u>	<u>44,238</u>	<u>(1,586,672)</u>
Total accumulated depreciation	<u>(14,347,561)</u>	<u>(1,999,694)</u>	<u>44,238</u>	<u>(16,303,017)</u>
Governmental activities capital assets, net	<u>\$ 46,444,543</u>	<u>\$ (1,779,502)</u>	<u>\$ (4,915)</u>	<u>\$ 44,660,126</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,578,718
Support Services:	
Instructional staff	87,650
Fiscal	1,554
Operations and maintenance	39,559
Pupil transportation	76,941
Operation of non instructional services:	
Food service operations	35,268
Extracurricular activities	<u>180,004</u>
Total depreciation expense	<u>\$ 1,999,694</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 - LONG-TERM OBLIGATIONS**

During the fiscal year 2020, the following changes occurred in governmental activities long-term obligations.

	Balance			Balance	Amounts
	<u>June 30, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2020</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds:					
Series 2010, QSCB	\$ 15,000,000	\$ -	\$ -	\$ 15,000,000	\$ -
Series 2011, QSCB	1,385,000	-	-	1,385,000	-
Series 2010, BABs	11,090,000	-	(200,000)	10,890,000	200,000
Lease purchase obligation					
from direct borrowing	1,655,000	-	(130,000)	1,525,000	130,000
Net pension liability	18,529,014	208,037	(214,878)	18,522,173	-
Net OPEB liability	1,947,998	-	(154,447)	1,793,551	-
Compensated absences	<u>926,064</u>	<u>492,853</u>	<u>(498,716)</u>	<u>920,201</u>	<u>77,667</u>
Total	<u>\$ 50,533,076</u>	<u>\$ 700,890</u>	<u>\$ (1,198,041)</u>	50,035,925	<u>\$ 407,667</u>
Add: Unamortized premium on refunding				<u>234,055</u>	
Total on statement of net position				<u>\$ 50,269,980</u>	

See Note 21 for detail on the District's lease purchase obligation.

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

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

Compensated absences will be paid from the fund from which the employees' salaries are paid.

The District's total debt limitation was \$31,081,033 with an unvoted debt margin of \$245,906 and an energy conservation debt margin of \$2,213,150 at June 30, 2020. In November 2009, voters in the District approved the issuance of bonds for the construction of two new school buildings to replace the three buildings currently in use.

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

Fiscal Year Ending,	Series 2010, Qualified School Construction Bonds - Building		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 48,000	\$ 48,000
2022	-	48,000	48,000
2023	-	48,000	48,000
2024	-	48,000	48,000
2025	-	48,000	48,000
2026-2027	<u>15,000,000</u>	<u>96,000</u>	<u>15,096,000</u>
Total	<u>\$ 15,000,000</u>	<u>\$ 336,000</u>	<u>\$ 15,336,000</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

On November 23, 2010, the District sold Build America Bonds (BABs) in the amount of \$13,240,000. The final principal payment is due December 1, 2038. The bonds were sold at an average net interest rate of 4.21%. The United States Treasury will issue checks to the District to pay 35% of interest costs. The amortization schedule with net interest and the principal fund payment is as follows:

Fiscal Year Ending,	Series 2010, Build America Bonds		
	Principal	Interest	Total
2021	\$ 200,000	\$ 472,639	\$ 672,639
2022	195,000	466,789	661,789
2023	195,000	458,709	653,709
2024	155,000	450,629	605,629
2025	105,000	444,206	549,206
2026-2030	1,990,000	2,113,499	4,103,499
2031-2035	4,050,000	1,455,143	5,505,143
2036-2039	4,000,000	449,103	4,449,103
Total	<u>\$ 10,890,000</u>	<u>\$ 6,310,717</u>	<u>\$ 17,200,717</u>

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

Fiscal Year Ending,	Series 2011, Qualified School Construction Bonds - HB 264		
	Principal	Interest	Total
2021	\$ -	\$ 6,925	\$ 6,925
2022	-	6,925	6,925
2023	-	6,925	6,925
2024	-	6,925	6,925
2025	-	6,925	6,925
2026	<u>1,385,000</u>	<u>6,925</u>	<u>1,391,925</u>
Total	<u>\$ 1,385,000</u>	<u>\$ 41,550</u>	<u>\$ 1,426,550</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the District contracted with the Southwestern Ohio EPC Liability, Fleet & Property Program (LFP) and Arthur J. Gallagher & Co. for property, general liability, professional and fleet insurance. Coverage provided by the LFP is as follows:

Building and Contents - replacement cost (\$5,000 Property / \$1,000 APD deductible)	-\$350,000,000 Blanket Limit -Refer to Statement of Value for specific limits
Boiler and Machinery (\$3,500 deductible)	\$ 250,000,000
Automobile Liability (no deductible)	1,000,000
Professional Liability (\$10,000 SBLL / \$15,000 EPLI deductible)	
Single Occurrence	1,000,000
Aggregate	1,000,000
General Liability (no deductible)	
Per Occurrence	1,000,000
Total per year (per member)	3,000,000
Excess Liability/Umbrella (no deductible)	
Per Occurrence	10,000,000
Total per year (per member)	10,000,000
Pollution Legal Liability (\$25,000 deductible)	
Per Occurrence	1,000,000
Total Aggregate Limit	5,000,000

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

**B. Workers' Compensation**

For fiscal year 2020, the District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." The "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the GRP.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$328,635 for fiscal year 2020. Of this amount, \$30,344 is reported as pension and postemployment benefits payable.

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

Plan Description - Licensed teachers 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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. 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. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,042,252 for fiscal year 2020. Of this amount, \$178,138 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.06896440%	0.06630643%	
Proportion of the net pension liability current measurement date	<u>0.06949080%</u>	<u>0.06495504%</u>	
Change in proportionate share	<u>0.00052640%</u>	<u>-0.00135139%</u>	
Proportionate share of the net pension liability	\$ 4,157,756	\$ 14,364,417	\$ 18,522,173
Pension expense	\$ 730,841	\$ 2,009,545	\$ 2,740,386

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 105,432	\$ 116,950	\$ 222,382
Changes of assumptions	-	1,687,378	1,687,378
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	67,694	242,095	309,789
Contributions subsequent to the measurement date	<u>328,635</u>	<u>1,042,252</u>	<u>1,370,887</u>
Total deferred outflows of resources	<u>\$ 501,761</u>	<u>\$ 3,088,675</u>	<u>\$ 3,590,436</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 62,182	\$ 62,182
Net difference between projected and actual earnings on pension plan investments	53,366	702,056	755,422
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>-</u>	<u>461,927</u>	<u>461,927</u>
Total deferred inflows of resources	<u>\$ 53,366</u>	<u>\$ 1,226,165</u>	<u>\$ 1,279,531</u>

\$1,370,887 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ 183,915	\$ 883,390	\$ 1,067,305
2022	(90,873)	35,212	(55,661)
2023	(3,550)	(123,453)	(127,003)
2024	30,268	25,109	55,377
Total	<u>\$ 119,760</u>	<u>\$ 820,258</u>	<u>\$ 940,018</u>

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, 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 (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 5,826,503	\$ 4,157,756	\$ 2,758,303



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, 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.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 20,991,995	\$ 14,364,417	\$ 8,753,832

**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

The net OPEB liability/asset represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$47,282.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$47,282 for fiscal year 2020. Of this amount, \$47,282 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability/asset was based on the District’s share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.07021660%	0.06630643%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.07132010%</u>	<u>0.06495504%</u>	
Change in proportionate share	<u>0.00110350%</u>	<u>-0.00135139%</u>	
Proportionate share of the net OPEB liability	\$ 1,793,551	\$ -	\$ 1,793,551
Proportionate share of the net OPEB asset	\$ -	\$ 1,075,811	\$ 1,075,811
OPEB expense	\$ 94,626	\$ (339,996)	\$ (245,370)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 26,328	\$ 97,529	\$ 123,857
Net difference between projected and actual earnings on OPEB plan investments	4,305	-	4,305
Changes of assumptions	130,998	22,613	153,611
Difference between employer contributions and proportionate share of contributions/change in proportionate share	51,832	33,059	84,891
Contributions subsequent to the measurement date	<u>47,282</u>	<u>-</u>	<u>47,282</u>
Total deferred outflows of resources	<u>\$ 260,745</u>	<u>\$ 153,201</u>	<u>\$ 413,946</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 394,031	\$ 54,734	\$ 448,765
Net difference between projected and actual earnings on OPEB plan investments	-	67,566	67,566
Changes of assumptions	100,506	1,179,503	1,280,009
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>13,414</u>	<u>66,068</u>	<u>79,482</u>
Total deferred inflows of resources	<u>\$ 507,951</u>	<u>\$ 1,367,871</u>	<u>\$ 1,875,822</u>

\$47,282 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (74,684)	\$ (267,429)	\$ (342,113)
2022	(51,450)	(267,427)	(318,877)
2023	(50,190)	(240,347)	(290,537)
2024	(50,394)	(230,851)	(281,245)
2025	(46,920)	(210,411)	(257,331)
Thereafter	<u>(20,850)</u>	<u>1,795</u>	<u>(19,055)</u>
Total	<u>\$ (294,488)</u>	<u>\$ (1,214,670)</u>	<u>\$ (1,509,158)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

*Actuarial Assumptions - SERS*

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, 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, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). 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 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,177,030	\$ 1,793,551	\$ 1,488,639

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,436,997	\$ 1,793,551	\$ 2,266,610

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

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

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**Assumption Changes Since the Prior Measurement Date** - There were no changes in assumptions since the prior measurement date of June 30, 2018.

**Benefit Term Changes Since the Prior Measurement Date** - 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.

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

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) 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.

	Current		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 917,991	\$ 1,075,811	\$ 1,208,502

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,219,921	\$ 1,075,811	\$ 899,312

**NOTE 14 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. Classified employees earn 4.6 hours for 80 hours worked. Sick leave may be accumulated up to a maximum of 255 days for classified and certified personnel. Upon retirement, payment is made for 25 percent for teachers and 25 percent for other employees of accrued, but unused sick leave credit to a maximum of 55 days for certified employees.

**B. Insurance Benefits**

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

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

**A. Jointly Governed Organizations**

*Miami Valley Educational Computer Association* - The District is a participant in the Miami Valley Educational Computer System (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia, and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of three Superintendents and three Treasurers of member Districts, with three of the four Superintendents and all three Treasurers elected by a majority vote of all member Districts except the Greene County Career Center. The fourth Superintendent is from the Greene County Career Center. The District paid MVECA \$121,397 for services provided during the year.

Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL -  
(Continued)**

Southwestern Ohio Educational Purchasing Council - The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), and insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SOEPC is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SOEPC's business and affairs are conducted by a board consisting of seven school administrators, who are elected by the membership each year.

In addition the cooperative hires attorneys, auditor's and actuaries to assist in running the day to day program. Gallagher is responsible for the insurance program administration. JWF Specialty Company is responsible for processing claims between SOEPC and its members. Payments to SOEPC are made from the General Fund. During the fiscal year, the District paid \$2,111,139 for its medical, dental and vision insurances through the SOEPC. Financial information can be obtained from Mr. Ken Swink, Southwestern Ohio Educational Purchasing Council Director.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. The qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. One at-large non-public representative is elected by the non-public school SOITA members as the state-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within state-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year, the District made no payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Northwestern Local School District does not pay any dues since the Clark County Educational Service Center represents the District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Leslie Crew, who serves as Executive Director, at 1345 Lagonda Avenue, Springfield, Ohio 45502.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL -  
(Continued)**

**B. Insurance Purchasing Pool**

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the plan. The District paid \$1,095 during 2020 to participate in the pool.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. Foundation Funding**

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 the fiscal year 2020 ADM reviews and there will be no significant adjustments to the District's State funding.

**D. COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis) but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 226,662
Net adjustment for revenue accruals	150,784
Net adjustment for expenditure accruals	81,439
Net adjustment for other sources/uses	(7,269)
Funds budgeted elsewhere	17,621
Adjustment for encumbrances	155,232
GAAP basis	\$ 624,469

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

**NOTE 18 - SET-ASIDES**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	296,610
Current year offsets	<u>(673,088)</u>
Total	<u>\$ (376,478)</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

During a prior fiscal year, the District issued \$29,625,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$29,346,519 at June 30, 2020.

**NOTE 19 - OTHER COMMITMENTS**

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

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 143,802
Other governmental	<u>25,262</u>
Total	<u>\$ 169,064</u>

**NOTE 20 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Other governments entered into a property tax abatement agreement with a property owner under an Enterprise Zone Agreements (“EZAs”) with the taxing districts of the District. The EZA is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other government designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, Clark County has entered into such an agreement. Under this agreement, the District’s property taxes were reduced by \$7,423. The District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 21 - LEASE-PURCHASE AGREEMENT**

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

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

Lease-purchase payments are reported as function expenditures on a budgetary basis. However, on a GAAP basis, these payments have been reclassified and are reported as debt service expenditures in the building fund (a nonmajor governmental fund). During fiscal year 2020, the District made principal and interest payments of \$130,000 and \$39,909, respectively, from the capital improvements fund (a nonmajor governmental fund).

A liability in the amount of the present value of minimum lease payments has been recorded on the statement of net position. Capital assets consisting of building and improvements have been capitalized. At June 30, 2020, capital assets in the amount of \$3,023,401 have been recorded as buildings and improvements. Accumulated depreciation at June 30, 2020 was \$233,408 leaving a book value of \$2,789,993.

The following is a schedule of the future minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2020:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 166,646
2022	168,320
2023	169,869
2024	171,292
2025	172,590
2026 - 2030	<u>878,024</u>
Total minimum lease payments	1,726,741
Less: amount representing interest	<u>(201,741)</u>
Total	<u>\$ 1,525,000</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.06949080%	0.06896440%	0.06914430%	0.06437350%
District's proportionate share of the net pension liability	\$ 4,157,756	\$ 3,949,719	\$ 4,131,219	\$ 4,711,546
District's covered payroll	\$ 2,225,111	\$ 2,433,067	\$ 2,346,943	\$ 2,075,021
District's proportionate share of the net pension liability as a percentage of its covered payroll	186.86%	162.33%	176.03%	227.06%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.06465960%	0.06688600%	0.06688600%
\$ 3,689,539	\$ 3,385,062	\$ 3,977,496
\$ 1,946,593	\$ 1,943,579	\$ 1,947,312
189.54%	174.17%	204.26%
69.16%	71.70%	65.52%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.06495504%	0.06630643%	0.06519319%	0.06710035%
District's proportionate share of the net pension liability	\$ 14,364,417	\$ 14,579,295	\$ 15,486,782	\$ 22,460,510
District's covered payroll	\$ 7,593,200	\$ 7,570,236	\$ 7,260,107	\$ 7,114,214
District's proportionate share of the net pension liability as a percentage of its covered payroll	189.17%	192.59%	213.31%	315.71%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.06480161%	0.06545559%	0.06545559%
\$ 17,909,270	\$ 15,921,065	\$ 18,965,068
\$ 6,760,964	\$ 6,687,754	\$ 6,701,808
264.89%	238.06%	282.98%
72.10%	74.70%	69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 328,635	\$ 300,390	\$ 328,464	\$ 328,572
Contributions in relation to the contractually required contribution	<u>(328,635)</u>	<u>(300,390)</u>	<u>(328,464)</u>	<u>(328,572)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,347,393	\$ 2,225,111	\$ 2,433,067	\$ 2,346,943
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 290,503	\$ 256,561	\$ 269,380	\$ 269,508	\$ 341,123	\$ 261,032
<u>(290,503)</u>	<u>(256,561)</u>	<u>(269,380)</u>	<u>(269,508)</u>	<u>(341,123)</u>	<u>(261,032)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,075,021	\$ 1,946,593	\$ 1,943,579	\$ 1,947,312	\$ 2,536,230	\$ 2,076,627
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,042,252	\$ 1,063,048	\$ 1,059,833	\$ 1,016,415
Contributions in relation to the contractually required contribution	<u>(1,042,252)</u>	<u>(1,063,048)</u>	<u>(1,059,833)</u>	<u>(1,016,415)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,444,657	\$ 7,593,200	\$ 7,570,236	\$ 7,260,107
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 995,990	\$ 946,535	\$ 869,408	\$ 871,235	\$ 917,548	\$ 882,244
<u>(995,990)</u>	<u>(946,535)</u>	<u>(869,408)</u>	<u>(871,235)</u>	<u>(917,548)</u>	<u>(882,244)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,114,214	\$ 6,760,964	\$ 6,687,754	\$ 6,701,808	\$ 7,058,062	\$ 6,786,492
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.07132010%	0.07021660%	0.07023220%	0.06533542%
District's proportionate share of the net OPEB liability	\$ 1,793,551	\$ 1,947,998	\$ 1,884,848	\$ 1,862,301
District's covered payroll	\$ 2,225,111	\$ 2,433,067	\$ 2,346,943	\$ 2,075,021
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	80.61%	80.06%	80.31%	89.75%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.06495504%	0.06630643%	0.06519319%	0.06710035%
District's proportionate share of the net OPEB liability/(asset)	\$ (1,075,811)	\$ (1,065,477)	\$ 2,543,598	\$ 3,588,544
District's covered payroll	\$ 7,593,200	\$ 7,570,236	\$ 7,260,107	\$ 7,114,214
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.17%	14.07%	35.04%	50.44%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.33%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 47,282	\$ 55,153	\$ 51,219	\$ 38,587
Contributions in relation to the contractually required contribution	<u>(47,282)</u>	<u>(55,153)</u>	<u>(51,219)</u>	<u>(38,587)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,347,393	\$ 2,225,111	\$ 2,433,067	\$ 2,346,943
Contributions as a percentage of covered payroll	2.01%	2.48%	2.11%	1.64%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 33,489	\$ 50,201	\$ 36,952	\$ 37,154	\$ 43,600	\$ 60,349
<u>(33,489)</u>	<u>(50,201)</u>	<u>(36,952)</u>	<u>(37,154)</u>	<u>(43,600)</u>	<u>(60,349)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,075,021	\$ 1,946,593	\$ 1,943,579	\$ 1,947,312	\$ 2,536,230	\$ 2,076,627
1.61%	2.58%	1.90%	1.91%	1.72%	2.91%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,444,657	\$ 7,593,200	\$ 7,570,236	\$ 7,260,107
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 67,934	\$ 67,018	\$ 70,581	\$ 67,865
-	-	(67,934)	(67,018)	(70,581)	(67,865)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,114,214	\$ 6,760,964	\$ 6,687,754	\$ 6,701,808	\$ 7,058,062	\$ 6,786,492
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

(Continued)



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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

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**Northwestern Local School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2020**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Identifying Number</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	N/A	\$ 37,081	\$ 37,081
COVID-19 School Breakfast Program	10.553	N/A	19,547	19,547
National School Lunch Program	10.555	N/A	187,352	187,352
COVID-19 National School Lunch Program	10.555	N/A	<u>38,924</u>	<u>38,924</u>
<i>Total Child Nutrition Cluster</i>			<u>282,904</u>	<u>282,904</u>
Total U.S. Department of Agriculture			<u>282,904</u>	<u>282,904</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I, Part A Grants to Local Education Agencies	84.010	S010A150035	255,779	255,779
<i>Special Education Cluster:</i>				
Special Education - Grants to States	84.027	H027A150111	370,596	388,750
Special Education - Preschool Grants	84.173	H173A190119	<u>15,988</u>	<u>15,970</u>
<i>Special Education Cluster Total</i>			386,584	404,720
Supporting Effective Instruction State Grants	84.367	S367A150034	49,919	49,919
Student Support and Academic Enrichment	84.424	S365A190036	<u>19,046</u>	<u>19,046</u>
Total U.S. Department of Education			<u>711,328</u>	<u>729,464</u>
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>			<u><b>\$ 994,232</b></u>	<u><b>\$ 1,012,368</b></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

Northwestern Local School District  
Clark County, Ohio

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Northwestern Local School District under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2020, the District had no significant food commodities in inventory.

**NOTE 4 – MATCHING REQUIREMENTS**

Certain federal programs require the District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule.

**INDEPENDENT AUDITORS' 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**

Board of Education  
Northwestern Local School District  
5610 Troy Road  
Springfield, Ohio 45502

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 *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 the Northwestern Local School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2020, wherein we noted the District adopted the provisions of GASB Statement No. 84 for the year ended June 30, 2020.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 29, 2020

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education  
Northwestern Local School District  
5610 Troy Road  
Springfield, Ohio 45502

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

We have audited the Northwestern Local School District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

In our opinion, the Northwestern Local School District complied, in all material respects, with the types of 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, 2020.

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 29, 2020



**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted
Identification of major programs:	
<i>Special Education Cluster:</i>	
Title VI-B Special Education – CFDA #84.027	
Title VI-B Preschool – CFDA #84.173	
Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Awards Findings and Questioned Costs**

None noted.



# OHIO AUDITOR OF STATE KEITH FABER



**NORTHWESTERN LOCAL SCHOOL DISTRICT**

**CLARK COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 1/28/2021**

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)