



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY  
JUNE 30, 2024**

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**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY  
JUNE 30, 2024**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Southwest Local School District  
Hamilton County  
10800 Campbell Road  
Harrison, Ohio 45030

To the Board of Education:

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Local School District, Hamilton County, Ohio (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Local School District, Hamilton County, Ohio as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

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

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

***Required Supplementary Information***

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

***Supplementary information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2025, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
January 17, 2025

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**Southwest Local School District**  
**Management's Discussion and Analysis**  
For the Fiscal Year Ended June 30, 2024

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The discussion and analysis of Southwest 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, 2024. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for fiscal year 2024 are as follows:

- In total, net position increased \$1,647,875.
- General revenues accounted for \$51,164,589 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$11,744,321 or 19% of total revenues of \$62,908,910.
- The District had \$61,261,035 in expenses related to governmental activities; only \$11,744,321 of these expenses were offset by program specific charges for services and operating grants or contributions. General revenues of \$51,164,589 were also used to provide for these programs.

**Overview of the 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. The General and Debt Service Funds are the major funds of the District.

**Government-wide Financial Statements**

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 2024?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows of resources*, and *liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Southwest Local School District**  
**Management's Discussion and Analysis**  
For the Fiscal Year Ended June 30, 2024

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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 has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. 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 Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements. Fund financial statements 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.

**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 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 financial statements.

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**The District as a Whole**

Recall that the Statement of Net position provides the perspective of the District as a whole.

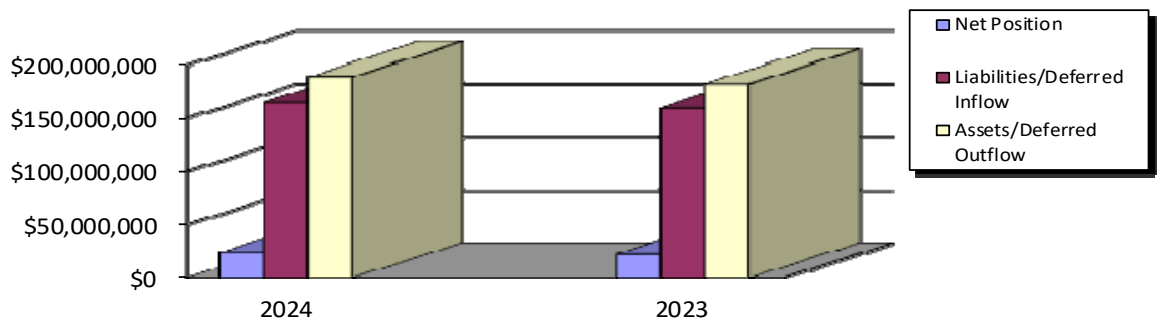
Table 1 provides a summary of the District's net position for 2024 compared to 2023:

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**Southwest Local School District**  
**Management’s Discussion and Analysis**  
For the Fiscal Year Ended June 30, 2024

**Table 1**  
**Net Position**

	Governmental Activities	
	2024	2023
<b>Assets:</b>		
Current and Other Assets	\$66,176,491	\$57,036,843
Net OPEB Asset	3,032,752	3,860,303
Capital Assets	107,322,495	109,941,570
<b>Total Assets</b>	<b>176,531,738</b>	<b>170,838,716</b>
<b>Deferred Outflows of Resources:</b>		
OPEB	1,893,300	1,115,016
Pension	10,301,575	10,262,165
<b>Total Deferred Outflows of Resources</b>	<b>12,194,875</b>	<b>11,377,181</b>
<b>Liabilities:</b>		
Other Liabilities	5,821,636	6,593,648
Long-Term Liabilities	133,489,722	129,746,755
<b>Total Liabilities</b>	<b>139,311,358</b>	<b>136,340,403</b>
<b>Deferred Inflows of Resources:</b>		
Property Taxes	17,763,295	13,868,241
Grants and Other Taxes	820,943	811,641
OPEB	4,359,758	5,265,414
Pension	2,418,368	3,525,182
<b>Total Deferred Inflows of Resources</b>	<b>25,362,364</b>	<b>23,470,478</b>
<b>Net Position</b>		
Net Investment in Capital Assets	31,387,669	32,507,783
Restricted	20,437,299	19,490,219
Unrestricted	(27,772,077)	(29,592,986)
<b>Total Net Position</b>	<b>\$24,052,891</b>	<b>\$22,405,016</b>



Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2024, the District’s assets and deferred outflows exceeded liabilities and deferred inflows by \$24,052,891.

**Southwest Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2024**

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At year-end, capital assets represented 61% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2024, were \$31,387,669. 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.

A portion of the District's net position, \$20,437,299, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets increased mainly due to an increase cash and investments. Long Term Liabilities increased slightly due to an increase in the net pension liability.

Table 2 shows the change in net position for fiscal years 2024 and 2023.

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**Southwest Local School District**  
**Management’s Discussion and Analysis**  
For the Fiscal Year Ended June 30, 2024

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**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2024	2023
Revenues:		
Program Revenues		
Charges for Services and Sales	\$2,985,293	\$2,843,593
Operating Grants and Contributions	8,759,028	10,619,341
General Revenue:		
Income Taxes	6,725,880	6,964,322
Property Taxes	23,501,675	21,142,928
Grants and Entitlements	17,861,298	16,197,733
Other	3,075,736	1,960,014
Total Revenues	<u>62,908,910</u>	<u>59,727,931</u>
Program Expenses:		
Instruction	38,702,158	36,557,000
Support Services:		
Pupil and Instructional Staff	4,517,285	3,028,167
General and School Administrative and Fiscal	5,831,694	5,616,327
Operations and Maintenance	4,013,559	4,432,691
Pupil Transportation	2,113,103	2,002,213
Central	642,367	569,547
Operation of Non-Instructional Services	2,046,310	2,192,804
Extracurricular Activities	1,480,475	1,471,989
Interest and Fiscal Charges	1,914,084	2,950,798
Total Expenses	<u>61,261,035</u>	<u>58,821,536</u>
Change in Net Position	1,647,875	906,395
Beginning Net Position	<u>22,405,016</u>	<u>21,498,621</u>
Ending Net Position	<u>\$24,052,891</u>	<u>\$22,405,016</u>

The District revenues are mainly from two sources. Property taxes levied for general, special revenue and debt service purposes, and grants and entitlements revenue comprised 66% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, Ohio districts do not collect additional property taxes on the increase in property value due to the increase in appraisal value and must regularly return to the voters to maintain a constant level of service.

**Southwest Local School District**  
**Management’s Discussion and Analysis**  
 For the Fiscal Year Ended June 30, 2024

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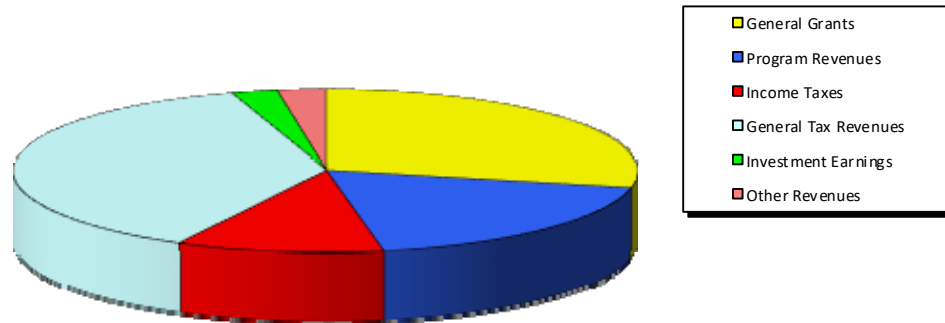
Property taxes made up 37% of revenue for governmental activities for the District in fiscal year 2024.

**Governmental Activities**

**Revenue Sources**

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Revenue Sources	2024	Percentage
General Grants	\$17,861,298	28.4%
Program Revenues	11,744,321	18.7%
Income Taxes	6,725,880	10.7%
General Tax Revenues	23,501,675	37.3%
Investment Earnings	1,493,167	2.4%
Other Revenues	1,582,569	2.5%
<b>Total Revenue Sources</b>	<b>\$62,908,910</b>	<b>100.0%</b>



Instruction comprises 63% of total governmental program expenses. Support services expenses were 28% of total governmental program expenses. All other expenses and interest and fiscal charges were 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Total revenues increased from the prior year mainly due to an increase in property taxes. Total expenses increased mainly due to an increase in pupil and instructional staff, and instruction expenses.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

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**Southwest Local School District**  
**Management’s Discussion and Analysis**  
For the Fiscal Year Ended June 30, 2024

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2024	2023	2024	2023
Instruction	\$38,702,158	\$36,557,000	(\$31,200,145)	(\$28,368,869)
Support Services:				
Pupil and Instructional Staff	4,517,285	3,028,167	(4,349,264)	(2,727,683)
General and School Administrative and Fiscal	5,831,694	5,616,327	(5,746,917)	(5,266,081)
Operations and Maintenance	4,013,559	4,432,691	(3,887,884)	(3,852,786)
Pupil Transportation	2,113,103	2,002,213	(2,064,715)	(1,926,203)
Central	642,367	569,547	(372,200)	(117,583)
Operation of Non-Instructional Services	2,046,310	2,192,504	534,603	379,191
Extracurricular Activities	1,480,475	1,471,989	(516,108)	(527,790)
Interest and Fiscal Charges	1,914,084	2,950,798	(1,914,084)	(2,950,798)
Total Expenses	<u>\$61,261,035</u>	<u>\$58,821,236</u>	<u>(\$49,516,714)</u>	<u>(\$45,358,602)</u>

**The District’s Major Funds**

The District has two major governmental funds: the General Fund, and Debt Service Fund. Assets of these funds comprised \$51,345,109 (77%) of the total \$66,285,359 governmental funds’ assets.

**General Fund:** Fund balance at June 30, 2024 was \$16,374,490, an increase in fund balance of \$1,338,834 from 2023. The primary reason for the increase in fund balance was due to an increase in property and other taxes, and intergovernmental revenue.

**Debt Service:** Fund balance at June 30, 2024 was \$9,402,489 a decrease in fund balance of \$213,719 from 2023. The primary reason for the decrease was due to an increase in debt service from the prior year.

**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.

During the course of fiscal year 2024, the District amended its general fund; however none of the amendments were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, original budget basis revenue was \$45,746,890 and final budget basis revenue was \$48,600,286. Final budget expenditures were \$49,751,586, compared to actual budgeted expenditures of \$48,128,587. Of the \$1,622,999 difference, most was due to an overestimate of instruction expenditures.

The General Fund’s ending unobligated cash balance was \$10,966,778.

**Southwest Local School District**  
**Management’s Discussion and Analysis**  
For the Fiscal Year Ended June 30, 2024

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**Capital Assets and Debt Administration**

**Capital Assets**

At fiscal year end, the District had \$107,322,495 invested in land, construction in progress, land improvements, buildings and improvements and equipment. Table 4 shows fiscal year 2024 balances compared to fiscal year 2023:

**Table 4**  
**Capital Assets at Year End**  
**(Net of Depreciation)**

---

	Governmental Activities	
	2024	2023
Land	\$2,969,890	\$2,969,890
Construction in Progress	4,613	0
Land Improvements	469,486	143,982
Buildings and Improvements	99,861,098	102,269,159
Equipment	4,017,408	4,558,539
Total Net Capital Assets	<u>\$107,322,495</u>	<u>\$109,941,570</u>

The overall decrease in capital assets is due to current year depreciation expense exceeding current year additions.

See Note 6 to the basic financial statements for further details on the District’s capital assets.

**Debt**

At June 30, 2024, the District had \$82,070,355 in debt outstanding, \$1,246,000 due within one year. Table 5 summarizes bonds and notes outstanding.

**Table 5**  
**Outstanding Debt at Year End**

---

	Governmental Activities	
	2024	2023
<u>General Obligation Bonds and Notes Payable:</u>		
2017 Refunded Bonds	\$4,360,000	\$5,330,000
Premium on 2017 Refunded Bonds	321,931	402,414
2011 HB264 Series	2,815,000	2,815,000
2018 Series Bonds	60,175,000	60,180,000
Premium on 2018 Series Bonds	1,492,331	1,538,966
2020 School Improvement Bond	9,640,000	9,645,000
Premium on 2020 School Improvement Bond	438,093	454,943
Notes Payable	<u>2,828,000</u>	<u>325,442</u>
Total	<u>\$82,070,355</u>	<u>\$80,691,765</u>

See Note 7 to the basic financial statements for further details on the District’s long-term obligations.



**Southwest Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2024**

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**For the Future**

In June 2024, the state legislature passed the biennial budget for fiscal years 2024 and 2025 (House Bill 33). This budget bill continues the phase in of the current state foundation funding formula. Currently, Southwest Local School District is anticipating to receive a reduction in state funding on a per pupil basis over the next two years. However, funding beyond fiscal year 2025 is an unknown due to the state's biennium budget process. This process can significantly alter school funding from year to year.

**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 the Treasurer at Southwest Local School District, 10800 Campbell Rd, Harrison, Ohio 45030.

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Southwest Local School District  
Statement of Net Position  
June 30, 2024

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$30,044,459
Restricted Cash and Investments	2,926
Cash and Cash Equivalents with Fiscal Agent	2,454,539
Receivables (Net):	
Taxes	30,750,085
Accounts	48,146
Interest	46,486
Intergovernmental	2,361,638
Prepaid	452,661
Inventory	15,551
Net OPEB Asset	3,032,752
Nondepreciable Capital Assets	2,974,503
Depreciable Capital Assets, Net	<u>104,347,992</u>
Total Assets	<u>176,531,738</u>
Deferred Outflows of Resources:	
Pension	10,301,575
OPEB	<u>1,893,300</u>
Total Deferred Outflows of Resources	<u>12,194,875</u>
Liabilities:	
Accounts Payable	701,010
Accrued Wages and Benefits	5,062,706
Retainage Payable	2,926
Accrued Interest Payable	36,788
Unearned Revenue	18,206
Long-Term Liabilities:	
Due Within One Year	2,088,880
Due In More Than One Year	
Net Pension Liability	40,790,066
Net OPEB Liability	2,202,628
Other Amounts	<u>88,408,148</u>
Total Liabilities	<u>139,311,358</u>
Deferred Inflows of Resources:	
Property Taxes	17,763,295
Grants and Other Taxes	820,943
Pension	2,418,368
OPEB	<u>4,359,758</u>
Total Deferred Inflows of Resources	<u>25,362,364</u>
Net Position:	
Net Investment in Capital Assets	31,387,669
Restricted for:	
Debt Service	9,515,193
Capital Projects	2,827,139
Locally Funded Programs	40,730
Student Activities	406,937
Auxiliary Services	40,887
Classroom Facilities Maintenance	1,939,546
State Funded Programs	9,988
Federally Funded Programs	471
Food Service Operations	2,514,043
Net OPEB Asset	3,032,752
Other Purposes	109,613
Unrestricted	<u>(27,772,077)</u>
Total Net Position	<u>\$24,052,891</u>

See accompanying notes to the basic financial statements.

Southwest Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2024

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$27,159,607	\$893,710	\$2,585,392	(\$23,680,505)
Special	11,191,835	181,574	3,369,756	(7,640,505)
Vocational	0	0	6,130	6,130
Other	350,716	88,406	377,045	114,735
<b>Support Services:</b>				
Pupil	4,090,353	0	126,157	(3,964,196)
Instructional Staff	426,932	0	41,864	(385,068)
General Administration	145,919	0	0	(145,919)
School Administration	3,934,560	0	84,679	(3,849,881)
Fiscal	1,751,215	0	98	(1,751,117)
Operations and Maintenance	4,013,559	11,692	113,983	(3,887,884)
Pupil Transportation	2,113,103	0	48,388	(2,064,715)
Central	642,367	0	270,167	(372,200)
Operation of Non-Instructional Services	2,046,310	845,544	1,735,369	534,603
Extracurricular Activities	1,480,475	964,367	0	(516,108)
Interest and Fiscal Charges	1,914,084	0	0	(1,914,084)
<b>Totals</b>	<b>\$61,261,035</b>	<b>\$2,985,293</b>	<b>\$8,759,028</b>	<b>(49,516,714)</b>

<b>General Revenues:</b>	
Income Taxes	6,725,880
<b>Property Taxes Levied for:</b>	
General Purposes	19,919,187
Special Revenue Purposes	360,319
Debt Service Purposes	3,222,169
Grants and Entitlements, Not Restricted	17,861,298
Revenue in Lieu of Taxes	1,027,014
Investment Earnings	1,493,167
Other Revenues	555,555
<b>Total General Revenues</b>	<b>51,164,589</b>
<b>Change in Net Position</b>	<b>1,647,875</b>
<b>Net Position - Beginning of Year</b>	<b>22,405,016</b>
<b>Net Position - End of Year</b>	<b>\$24,052,891</b>

See accompanying notes to the basic financial statements.

Southwest Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2024

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$11,134,568	\$5,732,950	\$13,176,941	\$30,044,459
Restricted Cash and Investments	0	0	2,926	2,926
Cash and Cash Equivalents with Fiscal Agent	0	2,454,539	0	2,454,539
<b>Receivables (Net):</b>				
Taxes	26,218,729	4,149,492	381,864	30,750,085
Accounts	44,880	0	3,266	48,146
Interest	33,272	0	13,214	46,486
Intergovernmental	1,016,808	0	1,344,830	2,361,638
Interfund	108,868	0	0	108,868
Prepaid	451,003	0	1,658	452,661
Inventory	0	0	15,551	15,551
<b>Total Assets</b>	<b>39,008,128</b>	<b>12,336,981</b>	<b>14,940,250</b>	<b>66,285,359</b>
<b>Liabilities:</b>				
Accounts Payable	676,591	0	24,419	701,010
Accrued Wages and Benefits	4,633,035	0	429,671	5,062,706
Compensated Absences	399,351	0	7,090	406,441
Retainage Payable	0	0	2,926	2,926
Interfund Payable	0	0	108,868	108,868
Unearned Revenue	0	0	18,206	18,206
<b>Total Liabilities</b>	<b>5,708,977</b>	<b>0</b>	<b>591,180</b>	<b>6,300,157</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	15,617,235	2,934,492	246,864	18,798,591
Income Taxes	462,503	0	0	462,503
Grants and Other Taxes	820,943	0	1,240,845	2,061,788
Investment Earnings	23,980	0	9,524	33,504
<b>Total Deferred Inflows of Resources</b>	<b>16,924,661</b>	<b>2,934,492</b>	<b>1,497,233</b>	<b>21,356,386</b>
<b>Fund Balances:</b>				
Nonspendable	451,003	0	1,658	452,661
Restricted	0	9,402,489	13,151,241	22,553,730
Committed	0	0	30,775	30,775
Assigned	364,991	0	0	364,991
Unassigned	15,558,496	0	(331,837)	15,226,659
<b>Total Fund Balances</b>	<b>16,374,490</b>	<b>9,402,489</b>	<b>12,851,837</b>	<b>38,628,816</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$39,008,128</b>	<b>\$12,336,981</b>	<b>\$14,940,250</b>	<b>\$66,285,359</b>

See accompanying notes to the basic financial statements.

Southwest Local School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2024

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Total Governmental Fund Balance		\$38,628,816
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		107,322,495
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Income Taxes	462,503	
Delinquent Property Taxes	1,035,296	
Interest	33,504	
Intergovernmental	<u>1,240,845</u>	
		2,772,148
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(36,788)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(8,020,232)
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	10,301,575	
Deferred inflows of resources related to pensions	(2,418,368)	
Deferred outflows of resources related to OPEB	1,893,300	
Deferred inflows of resources related to OPEB	<u>(4,359,758)</u>	
		5,416,749
Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	3,032,752	
Net Pension Liability	(40,790,066)	
Net OPEB Liability	(2,202,628)	
Other Amounts	<u>(82,070,355)</u>	
		<u>(122,030,297)</u>
Net Position of Governmental Activities		<u>\$24,052,891</u>

See accompanying notes to the basic financial statements.

Southwest Local School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2024

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$19,965,895	\$3,309,566	\$364,847	\$23,640,308
Income Taxes	6,726,942	0	0	6,726,942
Tuition and Fees	1,154,358	0	0	1,154,358
Investment Earnings	897,294	224,539	359,366	1,481,199
Intergovernmental	20,714,496	312,610	6,001,374	27,028,480
Extracurricular Activities	149,398	0	824,301	973,699
Charges for Services	0	0	857,236	857,236
Revenue in Lieu of Taxes	1,026,967	0	0	1,026,967
Other Revenues	472,219	0	83,336	555,555
<b>Total Revenues</b>	<b>51,107,569</b>	<b>3,846,715</b>	<b>8,490,460</b>	<b>63,444,744</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	22,281,732	0	2,071,932	24,353,664
Special	9,324,110	0	1,466,764	10,790,874
Other	350,716	0	0	350,716
<b>Support Services:</b>				
Pupil	3,856,884	0	146,030	4,002,914
Instructional Staff	387,141	0	23,781	410,922
General Administration	145,975	0	0	145,975
School Administration	3,875,898	0	57,200	3,933,098
Fiscal	1,735,843	50,660	5,165	1,791,668
Operations and Maintenance	3,570,336	0	386,789	3,957,125
Pupil Transportation	2,005,147	0	0	2,005,147
Central	434,977	0	226,585	661,562
Operation of Non-Instructional Services	0	0	2,044,590	2,044,590
Extracurricular Activities	648,523	0	783,902	1,432,425
Capital Outlay	459,253	0	157,941	617,194
<b>Debt Service:</b>				
Principal Retirement	325,442	1,152,000	0	1,477,442
Interest and Fiscal Charges	2,495	3,223,944	0	3,226,439
<b>Total Expenditures</b>	<b>49,404,472</b>	<b>4,426,604</b>	<b>7,370,679</b>	<b>61,201,755</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,703,097</b>	<b>(579,889)</b>	<b>1,119,781</b>	<b>2,242,989</b>
<b>Other Financing Sources (Uses):</b>				
Issuance of Long-Term Capital-Related Debt	0	0	3,000,000	3,000,000
Transfers In	0	366,170	3,814	369,984
Transfers (Out)	(364,263)	0	(5,721)	(369,984)
<b>Total Other Financing Sources (Uses)</b>	<b>(364,263)</b>	<b>366,170</b>	<b>2,998,093</b>	<b>3,000,000</b>
<b>Net Change in Fund Balance</b>	<b>1,338,834</b>	<b>(213,719)</b>	<b>4,117,874</b>	<b>5,242,989</b>
<b>Fund Balance - Beginning of Year</b>	<b>15,035,656</b>	<b>9,616,208</b>	<b>8,733,963</b>	<b>33,385,827</b>
<b>Fund Balance - End of Year</b>	<b>\$16,374,490</b>	<b>\$9,402,489</b>	<b>\$12,851,837</b>	<b>\$38,628,816</b>

See accompanying notes to the basic financial statements.

Southwest Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2024

Net Change in Fund Balance - Total Governmental Funds		\$5,242,989
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.</p>		
Capital assets used in governmental activities	778,281	
Depreciation Expense	<u>(3,397,356)</u>	(2,619,075)
<p>Governmental funds report district pension and OPEB contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employer contributions are reported as pension and OPEB expense.</p>		
Pension Contributions	3,969,487	
Pension Expense	(4,012,714)	
OPEB Contributions	93,944	
OPEB Expense	<u>268,726</u>	319,443
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Income Taxes	(1,062)	
Delinquent Property Taxes	(138,633)	
Interest	11,968	
Intergovernmental	<u>(408,107)</u>	(535,834)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		1,477,442
<p>In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.</p>		
		1,168,387
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences	(549,445)	
Amortization of Bond Premium	<u>143,968</u>	(405,477)
<p>Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.</p>		
		<u>(3,000,000)</u>
Change in Net Position of Governmental Activities		<u><u>\$1,647,875</u></u>

See accompanying notes to the basic financial statements.

Southwest Local School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2024

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	<u>Custodial Fund</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$0</u>
Total Assets	<u>0</u>
Liabilities:	
Accounts Payable	<u>0</u>
Total Liabilities	<u>0</u>
Net Position:	
Held in Trust	<u>0</u>
Total Net Position	<u>\$0</u>

See accompanying notes to the basic financial statements.



Southwest Local School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2024

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	Custodial Fund
Additions:	
Extracurricular Collections for OHSAA	<u>\$6,814</u>
Total Additions	<u>6,814</u>
Deductions:	
Extracurricular Distributions to OHSAA	<u>6,814</u>
Total Deductions	<u>6,814</u>
Change in Net Position	0
Net Position - Beginning of Year	<u>0</u>
Net Position - End of Year	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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**Note 1 – Description of the District**

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The Southwest Local School District (the “District”) was formed in 1954 with the consolidation of Harrison, Crosby and Whitewater School Districts. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 202 non-certificated personnel and 258 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District enrollment was 4,382. It currently operates three elementary schools, one junior school (grades 7-8), and one comprehensive high school (grades 9-12).

**Reporting Entity**

The financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The District is associated with two jointly governed organizations. These organizations are:

Jointly Governed Organizations:  
Southwest Ohio Computer Association (SWOCA)  
Great Oaks Career Campuses

These organizations are presented in Note 11.

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

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

**Measurement Focus**

**Government-wide Financial Statements**

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

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position.

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

**Fund Financial Statements**

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

**Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**Governmental Funds**

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes 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 and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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Debt Service Fund – The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Fiduciary Funds

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

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included 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 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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, deferred outflows of resources includes

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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pension and other post employment benefits. These amounts are reported on the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

In addition to liabilities, the statements of financial position 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, OPEB, pension, grants and other taxes (which includes tax incremental financing 'TIF'), investment earnings and income taxes. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2024, but which were levied to finance year 2025 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes (TIFs) have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Income taxes and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 8 and 9.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred inflows.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

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

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

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2024 amounted to \$897,294 in the General Fund, \$224,539 in the Debt Service Fund, and \$359,366 in all other funds.

For presentation on the financial statements, all investments of the cash management pool are considered to be cash equivalents.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2024 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and expenditure/expense is reported in the year in which services are consumed.

**Capital Assets**

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 fair market values as of the date received. The District has a capitalization threshold of \$2,500. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-45 years
Buildings and Improvements	10-45 years
Equipment	5-20 years

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for compensated absences are recognized when paid, or in the case of termination benefits, when due for payment. These amounts due at year end are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

**Southwest Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2024**

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The District’s policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-certificated</u>
How earned	Not Eligible	20 days	11-26 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	20 days	26 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	None	None
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-certificated</u>
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	300 days	300 days	300 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

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

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

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
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**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflow of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their 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 when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$20,437,299 in restricted net position, none were restricted by enabling legislation.

**Interfund Activity**

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.

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**Fund Balance**

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

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education. The formal action that is required to establish (and modify or rescind) a fund balance commitment is a Board Resolution.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.



**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
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Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts, which had been restricted, committed or assigned for said purposes.

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

**Estimates**

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

**Cash and Cash Equivalents with Fiscal Agent**

The District has cash with fiscal agent in the debt service fund for the District's HB264 QSCB's principal payments made to a sinking fund. The Bank of New York Mellon Trust Co. is the paying agent and maintains the sinking fund.

**Note 3 – Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
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National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

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

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

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.

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2024, \$15,772,849 of the District's bank balance of \$16,522,849 was exposed to custodial credit risk because it was uninsured and collateralized.

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
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The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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

**Investments**

As of June 30, 2024, the District had the following investments:

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal Home Loan Mortgage	\$547,587	Level 2	3.27
Federal Home Loan Bank	199,221	Level 2	0.95
Federal Farm Credit Bank	200,178	Level 2	3.83
Negotiable CDs	4,686,817	Level 2	1.63
Commercial Paper	1,825,098	Level 2	0.06
US Treasury Notes	3,359,738	Level 1	1.67
STAR Ohio	5,114,409	N/A	0.13
Money Market Funds	828,296	N/A	0.00
Total Fair Value	\$16,761,344		
Portfolio Weighted Average Maturity			0.99

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. The above table identifies the District’s recurring fair value measurements as of June 30, 2024. STAR Ohio is reported at its share price (Net Asset value per share). All other investments of the District are valued using quoted market prices.

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments, which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAAM by Standard & Poors. Money Market Funds and Negotiable CDs were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 3.3% in Federal Home Loan Mortgage, 1.2% in Federal Home Loan Bank, 1.2% in Federal Farm Credit Bank, 28.0% in Negotiable CD’s, 10.9% in Commercial Paper, 20% in Treasury Notes, 4.9% in Money Market Funds, and 30.5% in STAR Ohio.

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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Custodial Credit Risk – It 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. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**Note 4 – Property and Income Taxes**

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Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2024, are available to finance fiscal year 2025 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2024. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations.

The assessed values upon which the fiscal year 2024 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$953,748,080
Public Utility Personal	<u>85,413,920</u>
Total	<u><u>\$1,039,162,000</u></u>

**Income Tax**

The District levies a voted tax of 0.75 percent for general operations on the earned income of residents. The tax was effective on January 1, 2007, and is a continuous levy. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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**Note 5 – Receivables**

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Receivables at June 30, 2024, consisted of taxes, accounts, interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Note 6 – Capital Assets**

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Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$2,969,890	\$0	\$0	\$2,969,890
Construction in Progress	0	4,613	0	4,613
<b><i>Capital Assets, being depreciated:</i></b>				
Land Improvements	2,711,468	347,369	0	3,058,837
Buildings and Improvements	128,542,658	269,759	0	128,812,417
Equipment	10,789,821	156,540	0	10,946,361
Totals at Historical Cost	<u>145,013,837</u>	<u>778,281</u>	<u>0</u>	<u>145,792,118</u>
Less Accumulated Depreciation:				
Land Improvements	2,567,486	21,865	0	2,589,351
Buildings and Improvements	26,273,499	2,677,820	0	28,951,319
Equipment	6,231,282	697,671	0	6,928,953
Total Accumulated Depreciation	<u>35,072,267</u>	<u>3,397,356</u>	<u>0</u>	<u>38,469,623</u>
Governmental Activities Capital Assets, Net	<u>\$109,941,570</u>	<u>(\$2,619,075)</u>	<u>\$0</u>	<u>\$107,322,495</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,570,623
Special	174,390
Support Services:	
Pupils	4,858
Instructional Staff	6,660
School Administration	146,082
Fiscal	1,434
Operations and Maintenance	172,188
Pupil Transportation	180,986
Operation of Non-Instructional Services	84,439
Extracurricular Activities	55,696
Total Depreciation Expense	<u>\$3,397,356</u>

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

**Note 7 – Long-Term Liabilities**

	Interest Rate	Issuance Date	Maturity Date	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>								
<u>General Obligation Bonds:</u>								
2017 Refunded General Obligation Bonds	5.05%	5/1/99	12/1/18	\$5,330,000	\$0	\$970,000	\$4,360,000	\$1,025,000
2017 Refunded General Obligation Bonds - Premium				402,414	0	80,483	321,931	0
\$2,815,000 - HB264	6.00%	3/10/11	12/1/25	2,815,000	0	0	2,815,000	0
2018 Series Bonds	2.5-5.0%			60,180,000	0	5,000	60,175,000	5,000
2018 Series Bonds Premium				1,538,966	0	46,635	1,492,331	0
2020 School Improvement Bond	1.00%			9,645,000	0	5,000	9,640,000	5,000
2020 School Improvement Bond Premium				454,943	0	16,850	438,093	0
Subtotal Bonds				80,366,323	0	1,123,968	79,242,355	1,035,000
Notes Payable				325,442	3,000,000	497,442	2,828,000	211,000
Compensated Absences				7,745,466	1,312,704	631,497	8,426,673	842,880
Subtotal Bonds and Other Amounts				88,437,231	4,312,704	2,252,907	90,497,028	2,088,880
Net Pension Liability				39,600,614	1,189,452	0	40,790,066	0
Net OPEB Liability				1,708,910	493,718	0	2,202,628	0
Total Long-Term Obligations				<u>\$129,746,755</u>	<u>\$5,995,874</u>	<u>\$2,252,907</u>	<u>\$133,489,722</u>	<u>\$2,088,880</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

2018 Series A Bonds were issued for \$60,200,000 with varying interest rates between 2.5%-4.0%. They have a final maturity of 1/15/2055.

2020 School Improvement Bonds were issued for \$9,650,000 with varying interest rates between 1.0%-3.0%. The maturity date is 1/15/2050.

The District entered into note payable for buses with Santander. The annual payment is \$79,364. The final payment is due on August 15, 2023.

The District entered into a notes payable for laptops with Lenovo Financial Services. The annual payment is \$266,395. The final payment is due on July 15, 2022.

2023 School Facilities Notes Payable was issued for \$3,000,000 with an interest rate of 3.92% which will be used for the construction of a two-story addition to Crosby Elementary School consisting of eight additional classrooms. The maturity date is 6/30/2035.

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**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

Principal and interest requirements to retire debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$1,035,000	\$3,026,833	\$4,061,833	\$211,000	\$110,858	\$321,858
2026	4,110,000	2,903,320	7,013,320	219,000	102,586	321,586
2027	1,380,000	2,774,468	4,154,468	227,000	94,002	321,002
2028	1,665,000	2,725,418	4,390,418	236,000	85,104	321,104
2029	1,540,000	2,633,093	4,173,093	246,000	75,852	321,852
2030-2034	8,785,000	12,069,015	20,854,015	1,380,000	227,044	1,607,044
2035-2039	10,600,000	10,252,074	20,852,074	309,000	12,114	321,114
2040-2044	12,775,000	8,077,368	20,852,368	0	0	0
2045-2049	15,380,000	5,469,678	20,849,678	0	0	0
2050-2054	16,205,000	2,333,650	18,538,650	0	0	0
2055	3,515,000	70,300	3,585,300	0	0	0
Total	<u>\$76,990,000</u>	<u>\$52,335,217</u>	<u>\$129,325,217</u>	<u>\$2,828,000</u>	<u>\$707,560</u>	<u>\$3,535,560</u>

**Note 8 - Defined Benefit Pension Plans**

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

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

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a

**Southwest Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2024**

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portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

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

**Plan Description**

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

Age and service requirements for retirement are as follows:

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

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

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

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



**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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**Funding Policy**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$787,951 for fiscal year 2024. Of this amount \$0 is reported as accrued wages and benefits.

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

**Plan Description**

District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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 Web site at [www.strsoh.org](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, a one-time ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

**Funding Policy**

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$3,181,536 for fiscal year 2024. Of this amount \$530,256 is reported as accrued wages and benefits.

**Net 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, 2023, 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

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to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$7,209,212	\$33,580,854	\$40,790,066
Proportion of the Net Pension Liability:			
Current Measurement Date	0.13047130%	0.15593662%	
Prior Measurement Date	<u>0.11941430%</u>	<u>0.14908489%</u>	
Change in Proportionate Share	0.01105700%	0.00685173%	
Pension Expense	\$1,011,080	\$3,001,634	\$4,012,714

At June 30 2024, 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>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$309,868	\$1,224,287	\$1,534,155
Changes of assumptions	51,067	2,765,565	2,816,632
Changes in employer proportionate share of net pension liability	622,082	1,359,219	1,981,301
Contributions subsequent to the measurement date	<u>787,951</u>	<u>3,181,536</u>	<u>3,969,487</u>
Total Deferred Outflows of Resources	<u>\$1,770,968</u>	<u>\$8,530,607</u>	<u>\$10,301,575</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$74,517	\$74,517
Changes of assumptions	0	2,081,676	2,081,676
Net difference between projected and actual earnings on pension plan investments	101,331	100,643	201,974
Changes in employer proportionate share of net pension liability	<u>0</u>	<u>60,201</u>	<u>60,201</u>
Total Deferred Inflows of Resources	<u>\$101,331</u>	<u>\$2,317,037</u>	<u>\$2,418,368</u>

\$3,969,487 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. 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:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2025	\$407,066	\$42,551	\$449,617
2026	(110,494)	(730,496)	(840,990)
2027	579,744	3,617,782	4,197,526
2028	<u>5,370</u>	<u>102,197</u>	<u>107,567</u>
Total	<u>\$881,686</u>	<u>\$3,032,034</u>	<u>\$3,913,720</u>

**Southwest Local School District  
Notes to the Basic Financial Statements  
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**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. Future benefits for all current plan members were projected through 2137.

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, 2023 and compared with June 30, 2022, are presented below:

	June 30, 2023	June 30, 2022
Inflation	2.40%	2.40%
Future Salary Increases, including inflation	3.25% to 13.58%	3.25% to 13.58%
COLA or Ad Hoc COLA	2.00%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.00%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00% net of system expenses	7.00% net of system expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

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

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

**Southwest Local School District**  
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The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Estate/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	100.00%	

**Discount Rate**

The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2023 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$10,640,428	\$7,209,212	\$4,319,065

**Changes Between the Measurement Date and the Report Date**

Governor DeWine signed HB33 in July 2023 authorizing SERS to implement a Contribution Based Benefit Cap beginning August 1, 2024. Any effect on the net pension liability is unknown.

**Southwest Local School District**  
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**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2023, actuarial valuation compared to those used in the June 30, 2022, actuarial valuation are presented below:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Inflation	2.50%	2.50%
Projected Salary Increases	From 2.50% to 8.50% based on service	From 2.50% to 8.50% based on age
Investment Rate of Return	7.00% net of investments expense, including inflation	7.00% net of investments expense, including inflation
Discount Rate of Return	7.00%	7.00%
Payroll Increases	3.00%	3.00%
Cost-of-Living Adjustments (COLA)	0.00%	0.00%

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

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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

\* Final target weights reflected October 1, 2022.

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

**Southwest Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2024**

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2023.

**Sensitivity of the 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 7.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$51,639,921	\$33,580,854	\$18,307,825

**Changes Between the Measurement Date and the Report Date**

In March 2024, the STRS Board made the eligibility rule requiring 34 years of service for an unreduced retirement permanent, effective June 1, 2024. Eligibility for a reduced retirement benefit has been lowered from 30 to 29 years of service. The effect of these changes on the net pension liability is currently unknown.

**Note 9 - Defined Benefit OPEB Plans**

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See Note 8 for a description of the net OPEB liability (asset).

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

**Health Care Plan Description**

The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
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prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

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

**Funding Policy**

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the District's surcharge obligation was \$93,944.

The surcharge, added to the allocated portion of the 14.00% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$93,944 for fiscal year 2024.

**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. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy**

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health



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care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

**Net OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,202,628	\$0	\$2,202,628
Proportionate Share of the Net OPEB (Asset)	0	(3,032,752)	(3,032,752)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.13369960%	0.15593662%	
Prior Measurement Date	<u>0.12171630%</u>	<u>0.14908489%</u>	
Change in Proportionate Share	0.01198330%	0.00685173%	
OPEB Expense	(\$148,153)	(\$120,574)	(\$268,727)

At June 30 2024, 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>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$4,590	\$4,728	\$9,318
Changes of assumptions	744,773	446,768	1,191,541
Net difference between projected and actual earnings on OPEB plan investments	17,071	5,412	22,483
Changes in employer proportionate share of net OPEB liability	528,123	47,891	576,014
Contributions subsequent to the measurement date	<u>93,944</u>	<u>0</u>	<u>93,944</u>
Total Deferred Outflows of Resources	<u>\$1,388,501</u>	<u>\$504,799</u>	<u>\$1,893,300</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$1,135,976	\$462,575	\$1,598,551
Changes of assumptions	625,568	2,000,967	2,626,535
Changes in employer proportionate share of net OPEB liability	<u>99,167</u>	<u>35,505</u>	<u>134,672</u>
Total Deferred Inflows of Resources	<u>\$1,860,711</u>	<u>\$2,499,047</u>	<u>\$4,359,758</u>

\$93,944 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2025	(\$292,047)	(\$849,474)	(\$1,141,521)
2026	(254,387)	(411,018)	(665,405)
2027	(122,972)	(160,949)	(283,921)
2028	(48,823)	(216,282)	(265,105)
2029	(8,154)	(198,555)	(206,709)
Thereafter	160,229	(157,970)	2,259
Total	<u>(\$566,154)</u>	<u>(\$1,994,248)</u>	<u>(\$2,560,402)</u>

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2023, compared with June 30, 2022, are presented below:

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	June 30, 2023	June 30, 2022
Inflation	2.40%	2.40%
Future Salary Increases, Including Inflation	3.25% to 13.58%	3.25% to 13.58%
Investment Rate of Return	7.00% net of investment expense	7.00% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2048	2044
Municipal Bond Index Rate:		
Measurement Date	3.86%	3.69%
Prior Measurement Date	3.69%	1.92%
Single Equivalent Interest Rate (SEIR), net of plan investment expense, including price inflation:		
Measurement Date	4.27%	4.08%
Prior Measurement Date	4.08%	2.27%
Health Care Cost Trend Rate	6.75% to 4.40%	7.00% to 4.40%

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The 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 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. As of June 30, 2023:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Estate/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	100.00%	

**Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022, and the June 30, 2023, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates**

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.27%) and higher (5.27%) than the current discount rate (4.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
Proportionate share of the net OPEB liability	\$2,815,588	\$2,202,628	\$1,719,283
	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
Proportionate share of the net OPEB liability	\$1,618,194	\$2,202,628	\$2,977,081

**Changes Between Measurement Date and Reporting Date**

In September 2023, the SERS Board changed minimum compensation to \$30,000 from \$25,000 for purposes of the surcharge. Any effect on the net OPEB liability is unknown.

**Southwest Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2024**

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**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2023, actuarial valuation compared to the prior year are presented below:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Projected salary increases	Varies by service from 2.50% to 8.50%	Varies by service from 2.50% to 8.50%
Investment Rate of Return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.00%
Discount Rate of Return	7.00%	7.00%
Health Care Cost Trends:		
Medical		
Pre-Medicare	7.50% initial, 4.14% ultimate	7.50% initial, 3.94% ultimate
Medicare	-10.94% initial, 4.14% ultimate	-68.78% initial, 3.94% ultimate
Prescription Drug		
Pre-Medicare	-11.95% initial, 4.14% ultimate	9.00% initial, 3.94% ultimate
Medicare	1.33% initial, 4.14% ultimate	-5.47% initial, 3.94% ultimate

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

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

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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**Southwest Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2024**

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

\* Final target weights reflected at October 1, 2022.

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

**Sensitivity of the 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, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net OPEB (asset)	(\$2,566,827)	(\$3,032,752)	(\$3,438,523)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$3,457,352)	(\$3,032,752)	(\$2,521,328)

**Changes Between the Measurement Date and the Reporting date**

In March, 2024, the STRS Board made changes to the eligibility for the maximum health care premium subsidy, going into effect initially with the January 2025 benefit. In May, 2024, the Board aligned the eligibility for the health care premium subsidy with the changes to pension eligibility made in March 2024. The effect on the net OPEB liability (asset) is unknown at this time.

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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**Note 10 – Contingent Liabilities**

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**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. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2024.

**Litigation**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**Note 11 – Jointly Governed Organizations**

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Southwest Ohio Computer Association (SWOCA) – The SWOCA Information Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the SWOCA, the Executive Director, 3611 Hamilton Middletown Rd, Hamilton, Ohio 45011.

Great Oaks Career Campuses - Great Oaks Career Campuses is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of thirty-five members representing thirty-six affiliated school districts, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Great Oaks Career Campuses, the Chief Financial Officer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**Note 12 – Risk Management**

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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 the fiscal year, the District contracted with Liberty Mutual Insurance for fleet and liability insurance and Inland Marine coverage for property insurance.

**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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Coverages provided by Liberty Mutual Insurance are as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$180,707,000
Earthquake (\$25,000 deductible)	\$1,000,000
Computer Equipment (\$2,500)	\$1,000,000
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate	3,000,000
Umbrella Liability	10,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

**Note 13 – Set-Asides**

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

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

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2023	\$0
Current Year Set-aside Requirement	898,844
Qualified Disbursements	(2,106,079)
Set-aside Reserve Balance as of June 30, 2024	<u>(1,207,235)</u>
Restricted Cash as of June 30, 2024	<u>\$0</u>

Expenditures for capital activity during the year totaled \$2,106,079 above, which exceeded the required set-aside and the reserve balance. Although the District had qualifying disbursements during the year that reduced the Capital Acquisition set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**Note 14 - Interfund Transactions**

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Interfund transactions at June 30, 2024, consisted of the following interfund receivable and interfund payable and transfers in and out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General	\$108,868	\$0	\$0	\$364,263
Debt Service	0	0	366,170	0
Other Governmental Funds	0	108,868	3,814	5,721
Total	<u>\$108,868</u>	<u>\$108,868</u>	<u>\$369,984</u>	<u>\$369,984</u>



**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

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Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

**Note 15 – Accountability**

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The following funds had a deficit in fund balance:

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds:	
Title VI-B	\$151,890
Title I	146,621
Improving Teacher Quality	32,000

The deficit in fund balance was due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

**Note 16 – Construction and Other Commitments**

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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>Description</u>	<u>Remaining Commitment</u>
General	\$896,958
Other Governmental	2,572,526

**Note 17 – Fund Balances**

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

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**Southwest Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2024**

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Prepaid	\$451,003	\$0	\$1,658	\$452,661
Total Nonspendable	451,003	0	1,658	452,661
Restricted for:				
Other Grants	0	0	40,730	40,730
Student Activities	0	0	173,454	173,454
Auxiliary Services	0	0	40,826	40,826
Data Communication	0	0	9,988	9,988
Miscellaneous Federal Grants	0	0	387	387
Food Service	0	0	2,573,712	2,573,712
PI	0	0	1,922,682	1,922,682
Student Activity	0	0	233,483	233,483
Special Trust	0	0	78,635	78,635
Scholarship	0	0	30,978	30,978
Debt Service	0	9,402,489	0	9,402,489
Classroom Facilities	0	0	4,008,734	4,008,734
Building	0	0	4,037,632	4,037,632
Total Restricted	0	9,402,489	13,151,241	22,553,730
Committed to:				
Permanent Improvements	0	0	30,775	30,775
Total Committed	0	0	30,775	30,775
Assigned to:				
Encumbrances	247,196	0	0	247,196
Public School	117,795	0	0	117,795
Total Assigned	364,991	0	0	364,991
Unassigned (Deficit)	15,558,496	0	(331,837)	15,226,659
Total Fund Balance	\$16,374,490	\$9,402,489	\$12,851,837	\$38,628,816

**Note 18 – Tax Abatements Entered Into By Other Governments**

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) and Enterprise Zone (EZ) programs with the taxing districts of the District. The CRA and EZ programs are directive incentive tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, Hamilton County has entered into such an agreement. Under this agreement, the District’s property taxes were reduced by approximately \$570,027. The District is not receiving any other amounts from this other government in association with the forgone property tax revenue.

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**Southwest Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2024**

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**Note 19 – Implementation of New Accounting Principles**

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**New Accounting Principles**

For fiscal year 2024, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections; and portions of GASB Statement No. 99, Omnibus 2022.

GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of GASB Statement No. 100 did not have an effect on the financial statements of the District.

GASB Statement No. 99 addresses a variety of topics and includes clarification of provisions related to accounting and reporting of leases under GASB Statement No. 87, provides extension of the period which the London Interbank Offered Rate is considered appropriate benchmark interest rate, guidance on disclosure of nonmonetary transaction, accounting for pledges of future revenues when resources are not received by the pledging government under GASB Statement No. 48, and terminology updates related to certain provisions of GASB Statement No. 63 and No. 53. These topics under GASB Statement No. 99 provisions were implemented in a prior year.

Other topics in GASB Statement No. 99 includes classification of other derivative instruments within the scope of GASB Statement No. 53, clarification of provisions related to accounting and reporting of Public-Private and Public-Public Partnerships under GASB Statement No. 94, and clarification of provisions to accounting and reporting of subscription-based information technology arrangements under GASB Statement No. 96. These topics under GASB Statement No. 99 provisions were implemented and did not have an effect on the financial statements of the District.

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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Southwest Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years (1)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.13047130%	\$7,209,212	\$5,177,164	139.25%	76.06%
2023	0.11941430%	6,458,854	4,445,729	145.28%	75.82%
2022	0.10906430%	4,024,156	3,756,200	107.13%	82.86%
2021	0.11083290%	7,330,722	3,890,379	188.43%	68.55%
2020	0.11177870%	6,687,916	3,833,644	174.45%	70.85%
2019	0.12105680%	6,933,147	3,942,185	175.87%	71.36%
2018	0.10689670%	6,386,842	3,516,807	181.61%	69.50%
2017	0.10844780%	7,937,378	3,469,714	228.76%	62.98%
2016	0.10663530%	6,084,714	3,446,495	176.55%	69.16%
2015	0.10908800%	5,520,882	3,201,912	172.42%	71.70%

(1) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southwest Local School District  
 Required Supplementary Information  
 Schedule of the District's Contributions for Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2024	\$787,951	(\$787,951)	\$0	\$5,628,221	14.00%
2023	724,803	(724,803)	0	5,177,164	14.00%
2022	622,402	(622,402)	0	4,445,729	14.00%
2021	525,868	(525,868)	0	3,756,200	14.00%
2020	544,653	(544,653)	0	3,890,379	14.00%
2019	517,542	(517,542)	0	3,833,644	13.50%
2018	532,195	(532,195)	0	3,942,185	13.50%
2017	492,353	(492,353)	0	3,516,807	14.00%
2016	485,760	(485,760)	0	3,469,714	14.00%
2015	454,248	(454,248)	0	3,446,495	13.18%

See accompanying notes to the required supplementary information.

Southwest Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years (1)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.15593662%	\$33,580,854	\$20,188,629	166.34%	80.02%
2023	0.14908489%	33,141,760	20,183,486	164.20%	78.88%
2022	0.14749380%	18,858,408	17,794,114	105.98%	87.78%
2021	0.14667529%	35,490,201	18,618,771	190.62%	75.48%
2020	0.14814266%	32,760,859	17,761,886	184.44%	77.40%
2019	0.14520675%	31,927,704	16,294,114	195.95%	77.30%
2018	0.13813869%	32,815,142	14,915,486	220.01%	75.30%
2017	0.13853562%	46,372,048	14,637,514	316.80%	66.80%
2016	0.13595540%	37,574,096	14,310,686	262.56%	72.10%
2015	0.13816082%	33,605,493	15,202,085	221.06%	74.70%

(1) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southwest Local School District  
 Required Supplementary Information  
 Schedule of the District's Contributions for Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2024	\$3,181,536	(\$3,181,536)	\$0	\$22,725,257	14.00%
2023	2,826,408	(2,826,408)	0	20,188,629	14.00%
2022	2,825,688	(2,825,688)	0	20,183,486	14.00%
2021	2,491,176	(2,491,176)	0	17,794,114	14.00%
2020	2,606,628	(2,606,628)	0	18,618,771	14.00%
2019	2,486,664	(2,486,664)	0	17,761,886	14.00%
2018	2,281,176	(2,281,176)	0	16,294,114	14.00%
2017	2,088,168	(2,088,168)	0	14,915,486	14.00%
2016	2,049,252	(2,049,252)	0	14,637,514	14.00%
2015	2,003,496	(2,003,496)	0	14,310,686	14.00%

See accompanying notes to the required supplementary information.



Southwest Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share of the Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Eight Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2024	0.13369960%	\$2,202,628	\$5,177,164	42.55%	30.02%
2023	0.12171630%	1,708,910	4,445,729	38.44%	30.34%
2022	0.11180510%	2,116,003	3,756,200	56.33%	24.08%
2021	0.11473550%	2,493,578	3,890,379	64.10%	18.17%
2020	0.11398040%	2,866,367	3,833,644	74.77%	15.57%
2019	0.12176290%	3,378,032	3,942,185	85.69%	13.57%
2018	0.10819310%	2,903,619	3,516,807	82.56%	12.46%
2017	0.10948570%	3,120,748	3,469,714	89.94%	11.49%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southwest Local School District  
 Required Supplementary Information  
 Schedule of the District's Contributions for Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Nine Fiscal Years (1) (2)

Year	District's Contractually Required Contribution (2)	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2024	\$93,944	(\$93,944)	\$0	\$5,628,221	1.67%
2023	94,738	(94,738)	0	5,177,164	1.83%
2022	77,514	(77,514)	0	4,445,729	0.08%
2021	68,803	(68,803)	0	3,756,200	1.83%
2020	72,405	(72,405)	0	3,890,379	1.86%
2019	86,063	(86,063)	0	3,833,644	2.24%
2018	80,833	(80,833)	0	3,942,185	2.05%
2017	57,662	(57,662)	0	3,516,807	1.64%
2016	53,621	(53,621)	0	3,469,714	1.55%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

Southwest Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability  
 State Teachers Retirement System of Ohio  
 Last Eight Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB (Asset)/Liability	District's Proportionate Share of the Net OPEB (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability
2024	0.15593662%	(\$3,032,752)	\$20,188,629	(15.02%)	168.52%
2023	0.14908489%	(3,860,303)	20,183,486	(19.13%)	230.73%
2022	0.14749380%	(3,109,786)	17,794,114	(17.48%)	174.73%
2021	0.14667529%	(2,577,817)	18,618,771	(13.85%)	182.13%
2020	0.14814266%	(2,453,597)	17,761,886	(13.81%)	174.74%
2019	0.14520675%	(2,333,324)	16,294,114	(14.32%)	176.00%
2018	0.13813869%	5,389,662	14,915,486	36.13%	47.10%
2017	0.13853562%	7,408,920	14,637,514	50.62%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southwest Local School District  
 Required Supplementary Information  
 Schedule of the District's Contributions for Net OPEB (Asset)/Liability  
 State Teachers Retirement System of Ohio  
 Last Nine Fiscal Years (1)

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2024	\$0	\$0	\$0	\$22,725,257	0.00%
2023	0	0	0	20,188,629	0.00%
2022	0	0	0	20,183,486	0.00%
2021	0	0	0	17,794,114	0.00%
2020	0	0	0	18,618,771	0.00%
2019	0	0	0	17,761,886	0.00%
2018	0	0	0	16,294,114	0.00%
2017	0	0	0	14,915,486	0.00%
2016	0	0	0	14,637,514	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Southwest Local School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2024

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$23,408,318	\$24,868,378	\$24,805,518	(\$62,860)
Revenue in lieu of taxes	969,122	1,029,569	1,026,967	(2,602)
Tuition and Fees	771,821	819,963	817,890	(2,073)
Investment Earnings	858,348	911,886	909,581	(2,305)
Intergovernmental	19,362,895	20,570,627	20,518,631	(51,996)
Extracurricular Activities	140,983	149,777	149,398	(379)
Other Revenues	235,403	250,086	249,454	(632)
Total Revenues	<u>45,746,890</u>	<u>48,600,286</u>	<u>48,477,439</u>	<u>(122,847)</u>
Expenditures:				
Current:				
Instruction:				
Regular	21,162,543	22,814,638	22,070,378	744,260
Special	8,696,340	9,375,236	9,069,397	305,839
Other	336,290	362,543	350,716	11,827
Support Services:				
Pupil	3,527,632	3,803,023	3,678,961	124,062
Instructional Staff	368,637	397,416	384,451	12,965
General Administration	139,971	150,898	145,975	4,923
School Administration	3,664,618	3,950,703	3,821,823	128,880
Fiscal	1,638,986	1,766,937	1,709,296	57,641
Operations and Maintenance	3,727,400	4,018,387	3,887,299	131,088
Pupil Transportation	1,830,385	1,973,277	1,908,905	64,372
Central	422,325	455,295	440,442	14,853
Extracurricular Activities	629,334	678,464	656,331	22,133
Capital Outlay	4,423	4,769	4,613	156
Total Expenditures	<u>46,148,884</u>	<u>49,751,586</u>	<u>48,128,587</u>	<u>1,622,999</u>
Excess of Revenues Over (Under) Expenditures	<u>(401,994)</u>	<u>(1,151,300)</u>	<u>348,852</u>	<u>1,500,152</u>
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	4,259	4,524	4,513	(11)
Advances (Out)	(11,874)	(12,801)	(12,383)	418
Transfers (Out)	(351,145)	(378,557)	(366,208)	12,349
Total Other Financing Sources (Uses)	<u>(358,760)</u>	<u>(386,834)</u>	<u>(374,078)</u>	<u>12,756</u>
Net Change in Fund Balance	(760,754)	(1,538,134)	(25,226)	1,512,908
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>10,992,004</u>	<u>10,992,004</u>	<u>10,992,004</u>	<u>0</u>
Fund Balance End of Year	<u>\$10,231,250</u>	<u>\$9,453,870</u>	<u>\$10,966,778</u>	<u>\$1,512,908</u>

See accompanying notes to the required supplementary information.

**Southwest Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2024**

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**Note 1 – Budgetary Process**

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All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2024.

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

While the District is 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, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as assigned to a fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

**Southwest Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2024**

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The following table summarizes the adjustments necessary to reconcile the GAAP basis to the budgetary basis for the general fund.

**Net Change in Fund Balance**

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	<u>General</u>
GAAP Basis	\$1,338,834
Revenue Accruals	(2,630,130)
Expenditure Accruals	2,172,843
Proceeds of Capital Assets	4,513
Transfers (Out)	(1,945)
Advances (Out)	(12,383)
Encumbrances	<u>(896,958)</u>
Budget Basis	<u><u>(\$25,226)</u></u>

**Note 2 - Net Pension Liability**

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**School Employees Retirement System (SERS)**

**Changes in Benefit Terms:**

2023-2024: There were no changes in benefit terms since the prior measurement period.

2022: Cost of Living Adjustments (COLA) increased from 0.50% to 2.50%.

2020-2021: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3.00% annual increase to a Cost of Living Adjustments (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.50% and a floor of 0.00%.

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

**Changes in Assumptions:**

2023-2024: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) Cost of Living Adjustments (COLA) was increased from 2.00% to 2.50% for calendar year 2024.

2022: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.00% to 2.40%,
- (2) Payroll growth assumption was reduced from 3.50% to 1.75%,
- (3) Assumed real wage growth was increased from 0.50% to 0.85%,
- (4) Cost of Living Adjustments (COLA) was reduced from 2.50% to 2.00%,
- (5) The discount rate was reduced from 7.50% to 7.00%,
- (6) Rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and,
- (7) Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

**Southwest Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2024**

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2018-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) 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,
- (6) 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,
- (7) 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
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**State Teachers Retirement System (STRS)**

**Changes in Benefit Terms:**

2019-2024: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

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

**Changes in Assumptions:**

2024: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2023: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table:
  - a. Adjusted 110.0% for males, projected forward generationally using mortality improvement scale MP-2020
- (2) Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table:
  - a. Adjusted 95.0% for females, projected forward generationally using mortality improvement scale MP-2020
- (3) Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table:
  - a. Projected forward generationally using mortality improvement scale MP-2020
- (4) Projected salary increases changed from 2.50% to 12.50% to 2.50% to 8.50%



**Southwest Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2024**

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2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) 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,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

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

**Note 3 - Net OPEB (Asset)/Liability**

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**School Employees Retirement System (SERS)**

**Changes in Benefit Terms:**

2024: Effective January 1, 2024, the non-Medicare disability health care subsidy amounts will change to reflect amounts equal to that of service retirees by years of service.

2017-2023: There were no changes in benefit terms from the amounts reported for these fiscal years.

**Changes in Assumptions:**

2024: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	4.08%
Measurement Date	4.27%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.69%
Measurement Date	3.86%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	4.08%
Measurement Date	4.27%
- (4) The assumption for percent of pre-Medicare eligible retirees who choose the Wraparound plan increased from 10% to 20%.
- (5) The health care trend assumption on retiree premiums was updated to not apply trend to the \$35 surcharge.

**Southwest Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2024**

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(6) The morbidity factors were updated based on the Society of Actuaries' June 2013 research report Health Care Costs—From Birth to Death by Dale Yamamoto and from the ASOP 6 practice note developed by the American Academy of Actuaries.

(7) An assumption was added to assume that 15% of pre-65 retirees who waive will elect coverage upon Medicare eligibility.

2023: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) Discount Rate:

Prior Measurement Date	2.27%
Measurement Date	4.08%

(2) Municipal Bond Index Rate:

Prior Measurement Date	1.92%
Measurement Date	3.69%

(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	2.27%
Measurement Date	4.08%

(4) Health care trend rates were updated.

2022: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) Discount Rate:

Prior Measurement Date	2.63%
Measurement Date	2.27%

(2) Investment Rate of Return:

Prior Measurement Date	7.50%
Measurement Date	7.00%

(3) Assumed Rate of Inflation:

Prior Measurement Date	3.00%
Measurement Date	2.40%

(4) Payroll Growth Assumption:

Prior Measurement Date	3.50%
Measurement Date	1.75%

(5) Assumed Real Wage Growth:

Prior Measurement Date	0.50%
Measurement Date	0.85%

(6) Municipal Bond Index Rate:

Prior Measurement Date	2.45%
Measurement Date	1.92%

(7) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	2.63%
Measurement Date	2.27%

(8) Rates of withdrawal, retirement and disability were updated to reflect recent experience.

(9) Rate of health care participation for future retirees and spouses was updated to reflect recent.

(10) Mortality among active members was updated to the following:

a. PUB-2010 General Amount Weighted Below Median Employee mortality table.

(11) Mortality among service retired members was updated to the following:

**Southwest Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2024**

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- a. PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.
- (12) Mortality among beneficiaries was updated to the following:
  - a. PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.
- (13) Mortality among disabled member was updated to the following:
  - a. PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
- (14) Mortality rates are projected using a fully generational projection with Scale MP-2020.

2021: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 

Prior Measurement Date	3.22%
Measurement Date	2.63%
- (2) Municipal Bond Index Rate:
 

Prior Measurement Date	3.13%
Measurement Date	2.45%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 

Prior Measurement Date	3.22%
Measurement Date	2.63%

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 

Prior Measurement Date	3.70%
Measurement Date	3.22%
- (2) Municipal Bond Index Rate:
 

Prior Measurement Date	3.62%
Measurement Date	3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 

Prior Measurement Date	3.70%
Measurement Date	3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 

Prior Measurement Date	3.63%
Measurement Date	3.70%
- (2) Municipal Bond Index Rate:
 

Prior Measurement Date	3.56%
Measurement Date	3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 

Prior Measurement Date	3.63%
Measurement Date	3.70%

**Southwest Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2024**

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2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%
- (2) Municipal Bond Index Rate:

Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) 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,
- (6) 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, and
- (7) 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.

**State Teachers Retirement System (STRS)**

**Changes in Benefit Terms:**

2024: Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024. The change in the subsidy percentage and the base amount for all retiree Non-Medicare Eligible (NME) participants, from 2.2% per year in last year's valuation to 2.5% per year, capped at 75%, as well as the unfreezing of the NME subsidy, the removal of the 6% cap on the year over year subsidy increase for Medicare Eligible (ME) participants, the changes in deductible and office visits copays for Aetna's Medicare Advantage plan, and updates in the medical and PBM vendor contracts. In addition, there were benefit changes related to the change in eligibility for unreduced Pension benefits.

2023: Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

2022: The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The

**Southwest Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2024**

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Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

2021: There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10% to 1.90% 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 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

**Changes in Assumptions:**

2024: Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024. The change in the subsidy percentage and the base amount for all retiree Non-Medicare Eligible (NME) participants, from 2.2% per year in last year's valuation to 2.5% per year, capped at 75%, as well as the unfreezing of the NME subsidy, the removal of the 6% cap on the year over year subsidy increase for Medicare Eligible (ME) participants, the changes in deductible and office visits copays for Aetna's Medicare Advantage plan, and updates in the medical and PBM vendor contracts. In addition, there were benefit changes related to the change in eligibility for unreduced Pension benefits.

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

**Southwest Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2024**

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2021: There were changes in assumptions during the measurement year, which decreased the total OPEB liability by approximately \$0.26 billion. The assumption changes included changes in healthcare costs and trends.

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: 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). Valuation year per capita health care costs were updated.

2018: 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) and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. 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. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grant/ Pass Through Grantor Program Title	Assistance Listing Number	Pass Through Entity Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education and Workforce:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	\$159,155
Cash Assistance:			
School Breakfast Program	10.553	3L70	211,537
COVID -19 National School Lunch Program	10.555	3L60	119,410
National School Lunch Program	10.555	3L60	773,184
Total National School Lunch Program			<u>892,594</u>
Total Child Nutrition Cluster			<u>1,263,286</u>
Total U.S. Department of Agriculture			<u>1,263,286</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education and Workforce:</i>			
Special Education Cluster:			
Special Education-Grants to States	84.027	3M20	1,112,614
COVID-19 Special Education-Grants to States	84.027X	3IA0	28,938
Special Education-Preschool Grants	84.173	3C50	18,674
COVID-19 Special Education-Preschool Grants	84.173X	3IA0	17,039
Total Special Education Cluster			<u>1,177,265</u>
Supporting Effective Instruction State Grants	84.367	3Y60	138,323
Title I Grants to Local Educational Agencies	84.010	3M00	990,864
Student Support and Academic Enrichment Program	84.424	3H10	110,757
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	3HS0	2,102,679
Total U.S. Department of Education			<u>4,519,888</u>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
<i>Passed Through Hamilton County Public Health</i>			
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A	34,613
Total U.S. Department of Health & Human Services			<u>34,613</u>
Total Expenditures of Federal Awards			<u>\$5,817,787</u>

See accompanying notes to the schedule of expenditures of federal awards.

**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southwest Local School District (the District) under programs of the federal government for the year ended June 30, 2024. 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 B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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



# OHIO AUDITOR OF STATE KEITH FABER



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800-282-0370

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

Southwest Local School District  
Hamilton County  
10800 Campbell Road  
Harrison, Ohio 45030

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Local School District, Hamilton County, Ohio (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2025.

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

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

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

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

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

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed 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.



Keith Faber  
Auditor of State  
Columbus, Ohio  
January 17, 2025

# OHIO AUDITOR OF STATE KEITH FABER



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

Southwest Local School District  
Hamilton County  
10800 Campbell Road  
Harrison, Ohio 45030

To the Board of Education:

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

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

We have audited Southwest Local School District's, Hamilton County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Southwest Local School District's major federal program for the year ended June 30, 2024. Southwest Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Southwest Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
January 17, 2025

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**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





# OHIO AUDITOR OF STATE KEITH FABER



**SOUTHWEST LOCAL SCHOOL DISTRICT**

**HAMILTON 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 1/30/2025**

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

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