



**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2021 AND 2020**

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NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Newton Local School District
Miami County
201 North Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, Ohio (the District), as of and for the fiscal years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton Local School District, as of June 30, 2021 and 2020, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 4 to the fiscal year 2021 financial statements, during fiscal year 2021, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 19 to the fiscal year 2020 financial statements and Note 20 to the fiscal year 2021 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 4, 2022

Newton Local School District
Miami County, Ohio
Statement of Net Position - Cash Basis
June 30, 2021

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,225,648
<i>Total Assets</i>	\$4,225,648
 Net Position	
Restricted for:	
Debt Service	\$783,237
Capital Outlay	347,722
Other Purposes	170,330
Unrestricted	2,924,359
<i>Total Net Position</i>	\$4,225,648

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2021

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions, and Interest	Receipts and Changes in Net Position
Governmental Activities					
Instruction:					
Regular	\$3,972,445	\$928,273	\$50,563	\$0	(\$2,993,609)
Special	486,323	56,375	258,029	0	(171,919)
Vocational	38,554	0	41,824	0	3,270
Student Intervention Services	252,945	0	32,855	0	(220,090)
Support Services:					
Pupil	203,212	0	116,290	0	(86,922)
Instructional Staff	166,321	0	0	0	(166,321)
Board of Education	3,141	0	0	0	(3,141)
Administration	901,079	1,513	93,090	0	(806,476)
Fiscal	246,747	0	3,600	0	(243,147)
Operation and Maintenance of Plant	621,390	0	0	0	(621,390)
Pupil Transportation	379,669	0	0	0	(379,669)
Operation of Non-Instructional Services	274,718	44,313	228,302	0	(2,103)
Extracurricular Activities	697,095	132,707	172,200	0	(392,188)
Capital Outlay	3,269	0	0	535	(2,734)
Debt Service:					
Principal	315,000	0	0	0	(315,000)
Interest and Fiscal Charges	189,938	0	0	0	(189,938)
<i>Totals</i>	8,751,846	1,163,181	996,753	535	(6,591,377)
General Receipts					
Property Taxes Levied for:					
General Purposes					1,555,268
Debt Service					345,050
Capital Outlay					80,278
Classroom Maintenance					30,069
Income Taxes Levied for General Purposes					1,733,932
Grants and Entitlements not Restricted to Specific Programs					3,362,475
Interest					8,786
Miscellaneous					66,171
<i>Total General Receipts</i>					<u>7,182,029</u>
Change in Net Position					590,652
<i>Net Position Beginning of Year - Restated (Note 4)</i>					<u>3,634,996</u>
<i>Net Position End of Year</i>					<u><u>\$4,225,648</u></u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
As of June 30, 2021

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,898,227	\$783,237	\$544,184	\$4,225,648
<i>Total Assets</i>	<u>\$2,898,227</u>	<u>\$783,237</u>	<u>\$544,184</u>	<u>\$4,225,648</u>
Fund Balances				
Restricted	0	783,237	518,052	1,301,289
Committed	0	0	26,132	26,132
Assigned	100,420	0	0	100,420
Unassigned	2,797,807	0	0	2,797,807
<i>Total Fund Balances</i>	<u>\$2,898,227</u>	<u>\$783,237</u>	<u>\$544,184</u>	<u>\$4,225,648</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,555,268	\$345,050	\$110,347	\$2,010,665
Income Tax	1,733,932	0	0	1,733,932
Intergovernmental	3,410,934	53,850	712,986	4,177,770
Interest	8,786	0	535	9,321
Tuition and Fees	981,113	0	0	981,113
Extracurricular Activities	1,513	0	125,997	127,510
Contributions and Donations	144,500	0	36,958	181,458
Customer Sales and Services	0	0	42,747	42,747
Rent	3,415	0	0	3,415
Miscellaneous	73,001	0	1,566	74,567
<i>Total Receipts</i>	<u>7,912,462</u>	<u>398,900</u>	<u>1,031,136</u>	<u>9,342,498</u>
Disbursements				
Current:				
Instruction:				
Regular	3,882,052	0	90,393	3,972,445
Special	352,988	0	133,335	486,323
Vocational	2,921	0	35,633	38,554
Student Intervention Services	220,090	0	32,855	252,945
Support Services:				
Pupil	88,122	0	115,090	203,212
Instructional Staff	166,321	0	0	166,321
Board of Education	3,141	0	0	3,141
Administration	843,218	0	57,861	901,079
Fiscal	235,774	5,676	5,297	246,747
Operation and Maintenance of Plant	525,387	0	96,003	621,390
Pupil Transportation	333,389	0	46,280	379,669
Operation of Non-Instructional Services	35,997	0	238,721	274,718
Extracurricular Activities	527,804	0	169,291	697,095
Capital Outlay	0	0	3,269	3,269
Debt Service:				
Principal	65,000	250,000	0	315,000
Interest	51,438	138,500	0	189,938
<i>Total Disbursements</i>	<u>7,333,642</u>	<u>394,176</u>	<u>1,024,028</u>	<u>8,751,846</u>
<i>Net Change in Fund Balances</i>	578,820	4,724	7,108	590,652
<i>Fund Balances Beginning of Year - Restated (Note 4)</i>	<u>2,319,407</u>	<u>778,513</u>	<u>537,076</u>	<u>3,634,996</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,898,227</u></u>	<u><u>\$783,237</u></u>	<u><u>\$544,184</u></u>	<u><u>\$4,225,648</u></u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Cash Receipts, Cash Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$1,439,223	\$1,555,268	\$1,555,268	\$0
Income Taxes	1,604,556	1,733,932	1,733,932	0
Intergovernmental	3,156,430	3,410,934	3,410,934	0
Interest	8,130	8,557	8,786	229
Tuition and Fees	884,971	955,969	956,326	357
Rent	3,160	3,415	3,415	0
Gifts and Donations	0	144,500	144,500	0
Miscellaneous	201,272	73,001	73,001	0
<i>Total Receipts</i>	<u>7,297,742</u>	<u>7,885,576</u>	<u>7,886,162</u>	<u>586</u>
Disbursements				
Current:				
Instruction:				
Regular	3,802,747	3,896,845	3,882,166	14,679
Special	399,958	352,988	352,988	0
Vocational	2,091	2,921	2,921	0
Student Intervention Services	69,447	220,090	220,090	0
Other	235,519	0	0	0
Support Services:				
Pupil	108,449	88,392	88,232	160
Instructional Staff	168,235	222,465	166,321	56,144
Board of Education	5,757	3,141	3,141	0
Administration	803,688	841,571	840,868	703
Fiscal	242,889	236,774	236,274	500
Operation and Maintenance of Plant	597,703	536,175	528,387	7,788
Pupil Transportation	451,918	333,389	333,389	0
Operational of Non-Instructional Services	27,708	35,997	35,997	0
Extracurricular Activities	585,040	579,804	579,804	0
Debt Service				
Principal Retirement	41,443	65,000	65,000	0
Interest and Fiscal Charges	0	51,438	51,438	0
<i>Total Disbursements</i>	<u>7,542,592</u>	<u>7,466,990</u>	<u>7,387,016</u>	<u>79,974</u>
<i>Net Change in Fund Balance</i>	(244,850)	418,586	499,146	80,560
<i>Fund Balance Beginning of Year</i>	2,218,684	2,218,684	2,218,684	0
Prior Year Encumbrances Appropriated	79,978	79,978	79,978	0
<i>Fund Balance End of Year</i>	<u>\$2,053,812</u>	<u>\$2,717,248</u>	<u>\$2,797,808</u>	<u>\$80,560</u>

See accompanying notes to the basic financial statements

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Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Newton Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected five member Board form of government and provides educational services as mandated by state and federal agencies.

The District was established in 1923 through the consolidation of existing land areas and school districts. The District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Darke County. The District currently operates one instructional-administrative building and one bus garage.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable and for which a financial benefit or burden relationship exists. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District is financially accountable for an organization if an organization is fiscally dependent on the District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Newton Local School District has no component units.

The District participates in two jointly governed organizations, an insurance purchasing pool, and a shared risk pool. These organizations are discussed in Notes 14, 15, and 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association Solutions
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pool:

Ohio School Plan

Shared Risk Pool:

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not have any business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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

B. Fund Accounting

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

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major funds:

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

Bond Retirement Fund - The Bond Retirement Fund accounts for property tax revenues and State exemption reimbursements collected for the payment of general obligation bonded debt.

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

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

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements

D. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 the Board of Education may appropriate.

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements 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 and function level for the general fund and at the fund level for all other funds. Budgetary allocations at the object level within the general fund and at the function level within all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the 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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment 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 fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2021, the District invested in STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School 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.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipted into the General Fund during fiscal year 2021 was \$8,786 including \$2,796 assigned from other District funds.

For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District’s Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated by that authority by resolution or by State Statute. State statute authorizes the School District’s Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, student-run activities, facilities maintenance, and federal, state, and local grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

At June 30, 2021, the School District does not have any net position restricted by enabling legislation.

M. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and eliminated on the District-wide financial statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

N. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION/FUND BALANCES

For fiscal year 2021, the School District implemented GASB Statement No. 84, *Fiduciary Activities* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*. GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and they have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District’s financial statements.

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2020:

	Non Major Governmental Funds
Fund Balances, June 30, 2020	\$498,628
Adjustments:	
GASB 84	38,448
Restated Fund Balances, June 30, 2020	\$537,076

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2020:

	Governmental Activities
Net Position June 30, 2020	\$3,596,548
Adjustments:	
GASB 84	38,448
Restated Net Position June 30, 2020	\$3,634,996

The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of June 30, 2020:

	Fiduciary Funds	
	Agency	Custodial
Net Position June 30, 2020	\$38,448	\$0
Assets/Liabilities June 30, 2020		
GASB 84 Adjustments	(38,448)	0
Restated Net Position June 30, 2020	\$0	\$0

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NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Newton Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio);
8. Certain bankers’ acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$315,813 of the School District’s bank balance of \$733,095 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

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For the Fiscal Year Ended June 30, 2021

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2021, the District had \$3,637,511 invested in STAR Ohio.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. At June 30, 2021, 100% of the District's investments were in STAR Ohio.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. STAR Ohio money market carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020, and are collected in 2021 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Darke and Miami 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, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Newton Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2021 taxes were collected are:

	2020 Second- Half Collections		2021 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$84,913,200	97.50%	\$85,651,180	97.48%
Public Utility – Personal	2,175,180	2.50	2,215,030	2.52
Total Assessed Value	\$87,088,380	100.00%	\$87,866,210	100.00%
Tax rate per \$1,000 of assessed valuation	\$42.40		\$42.30	

NOTE 7 - INCOME TAX

The District levies a voted tax of one and three-quarter percent for general operations on the income of residents and of estates. 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 receipts credited to the General Fund for fiscal year 2021 were \$1,733,932.

NOTE 8 – RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2021, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool (see Note 15). Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. The School District contracts for general liability, property, and fleet insurance. Coverage provided is as follows:

Insurance coverage provided includes the following:

Building and Contents – at replacement cost (\$1,000 deductible)	\$30,518,004
Automobile Liability (\$0 deductible)	4,000,000
Uninsured Motorist (\$0 deductible)	1,000,000
General Liability	
Per Occurrence	4,000,000
Aggregate	6,000,000
Employers Liability – Stop Gap	4,000,000
Cyber Coverage	1,000,000
Violence Coverage	1,000,000
Pollution Incident Coverage	1,000,000

Newton Local School District
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For the Fiscal Year Ended June 30, 2021

NOTE 8 – RISK MANAGEMENT (continued)

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

B. Workers' Compensation

The District pays the state workers' compensation system a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Medical Benefits

For fiscal year 2021, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a risk sharing pool (Note 16). The School District pays monthly premiums to the Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

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

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

Newton Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 9– DEFINED BENEFIT PENSION PLANS (continued)

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset).

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org 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 65 with 5 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.

Newton Local School District
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Notes to the Basic Financial Statements
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NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution was allocated to the Health Care Fund for fiscal year 2021.

The School District's contractually required contribution to SERS was \$138,466 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School 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.

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 to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

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

Newton Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$453,787 for fiscal year 2021.

Net Pension Liability

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is the information related to the proportionate share of the net pension liability.

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Notes to the Basic Financial Statements
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NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.02730540%	0.02557982%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.02710260%</u>	<u>0.02603045%</u>	
Change in Proportionate Share	<u><u>-0.00020280%</u></u>	<u><u>0.00045063%</u></u>	
Proportionate Share of the Net Pension Liability	\$1,792,623	\$6,298,443	\$8,091,066

Actuarial Assumptions - SERS

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

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

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

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

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Newton Local School District
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Notes to the Basic Financial Statements
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NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

The long-term return expectation for the Pension Plan Investments has been determined 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 rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

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

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

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NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,455,675	\$1,792,623	\$1,236,310

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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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Notes to the Basic Financial Statements
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NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's Proportionate Share of the Net Pension Liability	\$8,967,886	\$6,298,443	\$4,036,312

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2021, all five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLANS

The net OPEB liability (asset) is not reported on the face of the financial statements as a liability (asset) because of the use of the cash basis framework.

See note 9 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, 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 2021, this amount was \$23,000. 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 2021, the School District's surcharge obligation was \$17,328.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$17,328 for fiscal year 2021.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset) Prior Measurement Date	0.02770440%	0.02557982%	
Proportion of the Net OPEB Liability (Asset) Current Measurement Date	<u>0.02789840%</u>	<u>0.02603045%</u>	
Change in Proportionate Share	<u><u>0.00019400%</u></u>	<u><u>0.00045063%</u></u>	
Proportionate Share of the Net OPEB Liability (Asset)	\$606,324	(\$457,485)	\$148,839

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.

Newton Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

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, 2020, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.22 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 state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Newton Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's proportionate share of the net OPEB liability	\$742,125	\$606,324	\$498,362
	1% Decrease (6.00 % decreasing to 3.75 %)	Trend Rate (7.00 % decreasing to 4.75 %)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$477,434	\$606,324	\$778,682

Actuarial Assumptions - STRS

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

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 percent initial, 4 percent ultimate

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

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

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

Newton Local School District
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Notes to the Basic Financial Statements
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NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$398,042)	(\$457,485)	(\$507,920)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$504,790)	(\$457,485)	(\$399,861)

NOTE 11 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is presented on the budget basis to provide meaningful comparison of actual results with the budget. The differences between the budget basis and cash basis are:

- (1) outstanding year-end encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (cash), and,
- (2) Perspective differences - activity of some funds is included with the General Fund on the cash basis because those funds do not meet the requirements to be presented as a separate fund. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the General Fund.

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Notes to the Basic Financial Statements
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NOTE 11 – BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the year ended June 30, 2021 for the General Fund:

<u>Net Changes in Fund Balance</u>	
Cash Basis	\$578,820
Encumbrances	(79,061)
Perspective Difference	(613)
Budget Basis	<u>\$499,146</u>

NOTE 12 – LONG-TERM OBLIGATIONS

The changes in the District’s long-term obligations during fiscal year 2021 were as follows:

	Principal Outstanding 6/30/20	Additions	Deletions	Principal Outstanding 6/30/21	Amount Due in One Year
General Obligations:					
2016 School Facilities Construction and Advanced Refunding Bonds:					
Serial Current Interest Bonds	\$2,280,000	\$0	\$0	\$2,280,000	\$0
Term Current Interest Bonds	1,800,000	0	0	1,800,000	0
Capital Appreciation Bonds	629,997	0	214,755*	415,242	211,339
Total General Obligations	\$4,709,997	\$0	\$214,755	\$4,495,242	\$211,339

*Principal retirement on the Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances is \$250,000, which represents the accreted value of the capital appreciation bonds repaid during 2021.

2016 School Facilities Construction and Advance Refunding Bonds: On October 18, 2016, the District issued general obligation bonds to advance refund the callable portion of the 2008 School Facilities Construction and Advanced Refunding Bonds. This refunded debt is considered defeased (in-substance).

The Series 2016 is comprised of both current interest bonds (serial and term), par value, \$4,580,000, and capital appreciation bonds par value \$629,997. The interest rates on the current interest bonds range from 2.00% - 4.00%.

The capital appreciation bonds mature on January 15, 2021 (stated interest rate 14.098%), January 15, 2022 (stated interest rate 17.122%), and January 15, 2023 (stated interest rate 20.038%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing January 15, 2021 was \$250,000, January 15, 2022 will be \$255,000, and January 15, 2023 will be \$255,000.

Interest payments on the current interest bonds are due on July 15 and January 15 of each year. The final maturity stated in the issue is January 15, 2036. Payments of principal and interest are recorded as expenditures of the debt service fund. The reacquisition price exceeded the net carrying amount of the old debt by \$280,748.

Newton Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 12 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the long-term obligations at June 30, 2021 are as follows:

Fiscal Year Ending June 30,	School Facilities Construction and Advance Refunding Bonds		
	Principal	Interest	Total
2022	\$211,339	\$182,161	\$393,500
2023	203,903	189,597	393,500
2024	255,000	138,500	393,500
2025	265,000	130,850	395,850
2026	270,000	122,900	392,900
2027-2031	1,490,000	478,900	1,968,900
2032-2036	1,800,000	175,950	1,975,950
Total	\$4,495,242	\$1,418,858	\$5,914,100

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property tax valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530, which became effective March 20, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. At June 30, 2021, the District’s voted debt margin was \$4,195,954 and the unvoted debt margin was \$87,866.

NOTE 13 – LEASE FINANCING

On August 15, 2019, the School District entered into a land lease and a leaseback agreement with PS&W Holding Company, Inc. for the purpose of financing the construction of an athletic field house on real property owned by the School District. PS&W Holding Company, Inc. assigned all of its rights under the leases to ZB National Association DBA Zions Bank as trustee. Under the terms of the leaseback and assignment agreements, the School District is required to make semi-annual variable lease payments to the Trustee beginning June 1, 2020, with final payment due December 1, 2038. The trustee issued Certificates of Participation in the lease to finance the project. The School District is not a party to the Certificates, and the Certificates, the Lease, and the obligation to make Base Rent payments do not represent or constitute bonded indebtedness, a debt of, or a general obligation of the School District. The amount financed was \$1,875,000, which was received by the School District during fiscal year 2020. During fiscal year 2021, the School District made principal payments of \$65,000 and interest payments of \$51,438 on the lease from the General Fund.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 13 – LEASE FINANCING (continued)

The following is a schedule of the Base Rent payments required under the lease:

Fiscal year Ending June 30,	Principal	Interest	Total
2022	\$80,000	\$49,589	\$129,589
2023	80,000	47,188	127,188
2024	85,000	44,713	129,713
2025	85,000	42,163	127,163
2026	90,000	39,538	129,538
2027-2031	480,000	164,188	644,188
2032-2036	545,000	95,287	640,287
2037-2039	365,000	22,050	387,050
Total	<u>\$1,810,000</u>	<u>\$504,716</u>	<u>\$2,314,716</u>

In the event of default on the lease by the School District, the lessor may, by written notice, request the School District to return possession of the Project to the lessor and/or the lessor may take immediate possession of and remove any or all of the personal property constituting the Project. The lessor may also sublease the Project Facilities, holding the School District liable for all lease payments and other payments due until the effective date of the sublease and for the difference between the rental and any other amounts paid by the sublease and the amounts payable by the School District according to the lease terms. In the event of default, the School District must also reimburse the lessor for any expenses incurred by the lessor in connection with seeking enforcement of or collection of amounts due as part of the lease terms.

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Associations Solutions (META)

The District was a participant in the Metropolitan Educational Technology Association Solutions (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client’s needs. The governing board of META consists of a president, vice-president, and six board members who represent the members of META. The Board works with META’s chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each school district’s degree of control is limited to its representation on the Board. The District paid META \$25,141 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 130 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

The Council exercises total control over the operations of the Council, including budgeting, appropriating, contracting, and designating management. Each member's degree of control is limited to its representation on the Council. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2021, the District did not have to pay any membership fee to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 15- INSURANCE PURCHASING POOL

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created pursuant to and authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 12- member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting claims management, accounting, system support services, sales, and marketing to the OSP. Hyland Administrative Service, LLC, also coordinates reinsurance brokerage services for the OSP.

NOTE 16 – SHARED RISK POOL

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool. The trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwest Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Trust and payment of monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 17 - SET-ASIDE CALCULATIONS

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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following information describes the change in the fiscal year-end 2021 set-aside amounts for capital improvements.

Set-Aside Balance as of June 30, 2020	\$	0
Current Year Required Set-aside		112,070
Current Year Offsets		(110,347)
Current Year Qualifying Disbursements		(1,723)
		0
Set-Aside Balance as of June 30, 2021	\$	0

Although the District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

NOTE 18 – CONTINGENCIES

The School District received financial assistance from federal and state 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 adverse effect on the overall financial position of the School District at June 30, 2021.

NOTE 19 – FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2021 were as follows:

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 19 – FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Classroom Facilities			\$335,838	\$335,838
Debt Retirement		\$783,237		783,237
Capital Improvements			5,144	5,144
Building Fund			6,740	6,740
Classroom Facilities Maintenance			11,485	11,485
IDEA Grant			1,986	1,986
Student Awards			26,978	26,978
Student Activities			40,714	40,714
Food Service Operations			49,669	49,669
Athletics			39,498	39,498
Total Restricted		<u>783,237</u>	<u>518,052</u>	<u>1,301,289</u>
Committed for:				
Athletic Complex Construction			26,132	26,132
Total Committed			<u>26,132</u>	<u>26,132</u>
Assigned for:				
Unpaid Obligations	79,061			79,061
Educational Activities	19,524			19,524
Uniform School Supplies	1,835			1,835
Total Assigned	<u>100,420</u>			<u>100,420</u>
Unassigned	<u>2,797,807</u>			<u>2,797,807</u>
Total Fund Balance	<u><u>\$2,898,227</u></u>	<u><u>\$783,237</u></u>	<u><u>\$544,184</u></u>	<u><u>\$4,225,648</u></u>

NOTE 20 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the school district received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

NOTE 21 – SUBSEQUENT EVENT

For fiscal year 2022, School district foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$845,991 in open enrollment revenues and \$248,145 in expenditures related to open enrollment and community school transfer. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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Newton Local School District
Miami County, Ohio
Statement of Net Position - Cash Basis
June 30, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,596,548
<i>Total Assets</i>	\$3,596,548
 Net Position	
Restricted for:	
Debt Service	\$778,513
Capital Outlay	355,906
Other Purposes	113,321
Unrestricted	2,348,808
<i>Total Net Position</i>	\$3,596,548

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2020

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions, and Interest	Receipts and Changes in Net Position
Governmental Activities					
Instruction:					
Regular	\$3,834,807	\$915,854	\$36,472	\$0	(\$2,882,481)
Special	570,246	36,179	297,718	0	(236,349)
Vocational	2,088	0	8,684	0	6,596
Student Intervention Services	320,545	0	16,035	0	(304,510)
Support Services:					
Pupil	196,129	0	88,000	0	(108,129)
Instructional Staff	111,924	0	0	0	(111,924)
Board of Education	5,748	0	0	0	(5,748)
Administration	857,491	21,476	54,795	0	(781,220)
Fiscal	253,625	0	3,600	0	(250,025)
Operation and Maintenance of Plant	733,655	0	2,493	0	(731,162)
Pupil Transportation	451,244	0	0	0	(451,244)
Central	294	0	0	0	(294)
Operation of Non-Instructional Services	259,243	129,821	69,440	0	(59,982)
Extracurricular Activities	678,415	103,978	0	0	(574,437)
Capital Outlay	3,006,445	0	0	148,703	(2,857,742)
Debt Service:					
Principal	250,000	0	0	0	(250,000)
Interest and Fiscal Charges	184,881	0	0	0	(184,881)
Issuance Costs	75,000	0	0	0	(75,000)
Totals	11,791,780	1,207,308	577,237	148,703	(9,858,532)
General Receipts					
Property Taxes Levied for:					
General Purposes					1,493,527
Debt Service					352,972
Capital Outlay					78,943
Classroom Maintenance					29,579
Income Taxes Levied for General Purposes					1,847,762
Grants and Entitlements not Restricted to Specific Programs					3,302,336
Interest					60,923
Miscellaneous					146,592
Proceeds of Lease Financing					1,875,000
<i>Total General Receipts</i>					<u>9,187,634</u>
Change in Net Position					(670,898)
<i>Net Position Beginning of Year</i>					<u>4,267,446</u>
<i>Net Position End of Year</i>					<u><u>\$3,596,548</u></u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
As of June 30, 2020

	General	Bond Retirement	Athletic Complex	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,319,407	\$778,513	\$29,401	\$469,227	\$3,596,548
<i>Total Assets</i>	<u>\$2,319,407</u>	<u>\$778,513</u>	<u>\$29,401</u>	<u>\$469,227</u>	<u>\$3,596,548</u>
Fund Balances					
Restricted	0	778,513	0	469,227	1,247,740
Committed	0	0	29,401	0	29,401
Assigned	100,723	0	0	0	100,723
Unassigned	2,218,684	0	0	0	2,218,684
<i>Total Fund Balances</i>	<u>\$2,319,407</u>	<u>\$778,513</u>	<u>\$29,401</u>	<u>\$469,227</u>	<u>\$3,596,548</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement	Athletic Complex	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$1,493,527	\$352,972	\$0	\$108,522	\$1,955,021
Income Tax	1,847,762	0	0	0	1,847,762
Intergovernmental	3,349,574	55,697	0	454,297	3,859,568
Interest	60,923	0	5,850	5,515	72,288
Tuition and Fees	948,498	0	0	0	948,498
Extracurricular Activities	21,476	0	0	97,268	118,744
Contributions and Donations	0	0	135,000	20,005	155,005
Customer Sales and Services	0	0	0	127,715	127,715
Rent	1,565	0	0	0	1,565
Miscellaneous	155,272	0	2,338	2,106	159,716
<i>Total Receipts</i>	<u>7,878,597</u>	<u>408,669</u>	<u>143,188</u>	<u>815,428</u>	<u>9,245,882</u>
Disbursements					
Current:					
Instruction:					
Regular	3,807,613	0	0	27,194	3,834,807
Special	399,359	0	0	170,887	570,246
Vocational	2,088	0	0	0	2,088
Student Intervention Services	304,510	0	0	16,035	320,545
Support Services:					
Pupil	108,129	0	0	88,000	196,129
Instructional Staff	111,924	0	0	0	111,924
Board of Education	5,748	0	0	0	5,748
Administration	802,696	0	0	54,795	857,491
Fiscal	242,026	6,195	0	5,404	253,625
Operation and Maintenance of Plant	589,035	0	0	144,620	733,655
Pupil Transportation	451,244	0	0	0	451,244
Central	0	0	0	294	294
Operation of Non-Instructional Services	27,666	0	0	231,577	259,243
Extracurricular Activities	584,164	0	0	94,251	678,415
Capital Outlay	0	0	3,006,445	0	3,006,445
Debt Service:					
Principal	0	250,000	0	0	250,000
Interest	41,381	143,500	0	0	184,881
Issuance Costs	0	0	75,000	0	75,000
<i>Total Disbursements</i>	<u>7,477,583</u>	<u>399,695</u>	<u>3,081,445</u>	<u>833,057</u>	<u>11,791,780</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	401,014	8,974	(2,938,257)	(17,629)	(2,545,898)
Other Financing Sources and Uses					
Proceeds of Lease Financing	0	0	1,875,000	0	1,875,000
Transfers In	0	0	500,000	0	500,000
Transfers Out	(500,000)	0	0	0	(500,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(500,000)</u>	<u>0</u>	<u>2,375,000</u>	<u>0</u>	<u>1,875,000</u>
<i>Net Change in Fund Balances</i>	(98,986)	8,974	(563,257)	(17,629)	(670,898)
<i>Fund Balances Beginning of Year</i>	<u>2,418,393</u>	<u>769,539</u>	<u>592,658</u>	<u>486,856</u>	<u>4,267,446</u>
<i>Fund Balances End of Year</i>	<u>\$2,319,407</u>	<u>\$778,513</u>	<u>\$29,401</u>	<u>\$469,227</u>	<u>\$3,596,548</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Cash Receipts, Cash Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$1,393,756	\$1,568,705	\$1,493,527	(\$75,178)
Income Taxes	1,724,325	1,847,762	1,847,762	0
Intergovernmental	3,125,811	3,349,574	3,349,574	0
Interest	56,853	59,722	60,923	1,201
Tuition and Fees	865,265	925,705	927,205	1,500
Rent	1,460	1,565	1,565	0
Miscellaneous	144,899	155,272	155,272	0
<i>Total Receipts</i>	<u>7,312,369</u>	<u>7,908,305</u>	<u>7,835,828</u>	<u>(72,477)</u>
Disbursements				
Current:				
Instruction:				
Regular	3,725,892	3,797,063	3,797,063	0
Special	406,206	399,359	399,359	0
Vocational	2,583	2,088	2,088	0
Student Intervention Services	186,258	304,510	304,510	0
Support Services:				
Pupil	174,839	108,289	108,289	0
Instructional Staff	115,310	168,210	168,068	142
Board of Education	3,898	5,748	5,748	0
Administration	853,247	802,485	802,485	0
Fiscal	220,279	242,526	242,526	0
Operation and Maintenance of Plant	976,892	596,823	596,823	0
Pupil Transportation	419,802	451,244	451,244	0
Operational of Non-Instructional Services	38,348	27,666	27,666	0
Extracurricular Activities	496,800	584,164	584,164	0
Debt Service				
Interest and Fiscal Charges	0	41,381	41,381	0
<i>Total Disbursements</i>	<u>7,620,354</u>	<u>7,531,556</u>	<u>7,531,414</u>	<u>142</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(307,985)	376,749	304,414	(72,335)
Other Financing Uses				
Transfers Out	0	(500,000)	(500,000)	0
<i>Total Other Financing Uses</i>	<u>0</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(307,985)	(123,251)	(195,586)	(72,335)
<i>Fund Balance Beginning of Year</i>	2,087,944	2,087,944	2,087,944	0
Prior Year Encumbrances Appropriated	326,326	326,326	326,326	0
<i>Fund Balance End of Year</i>	<u>\$2,106,285</u>	<u>\$2,291,019</u>	<u>\$2,218,684</u>	<u>(\$72,335)</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio

Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
June 30, 2020

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$38,448</u>
Liabilities	
Due to Students	<u>\$38,448</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Newton Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected five member Board form of government and provides educational services as mandated by state and federal agencies.

The District was established in 1923 through the consolidation of existing land areas and school districts. The District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Darke County. The District currently operates one instructional-administrative building and one bus garage.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable and for which a financial benefit or burden relationship exists. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District is financially accountable for an organization if an organization is fiscally dependent on the District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Newton Local School District has no component units.

The District participates in two jointly governed organizations, an insurance purchasing pool, and a shared risk pool. These organizations are discussed in Notes 13, 14, and 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association Solutions
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pool:

Ohio School Plan

Shared Risk Pool:

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

Newton Local School District

Miami County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not have any business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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

B. Fund Accounting

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major funds:

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

Bond Retirement Fund - The Bond Retirement Fund accounts for property tax revenues and State exemption reimbursements collected for the payment of general obligation bonded debt.

Athletic Complex Fund - The Athletic Complex Fund accounts for receipts and expenditures related to the construction of the new athletic complex.

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

Fiduciary Funds - Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs for students. The District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 the Board of Education may appropriate.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements 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 and function level for the general fund and at the fund level for all other funds. Budgetary allocations at the object level within the general fund and at the function level within all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the 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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment 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 fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2020, the District invested in STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School 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.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipted into the General Fund during fiscal year 2020 was \$60,923 including \$21,686 assigned from other District funds.

For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory and Prepaid Items

On the cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Education or a District official delegated by that authority by resolution or by State Statute. State statute authorizes the District’s Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, facilities maintenance, and federal, state and local grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

At June 30, 2020, the School District does not have any net position restricted by enabling legislation.

M. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

N. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio);
8. Certain bankers’ acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$865,193 of the School District’s bank balance of \$1,246,432 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2020, the District had \$2,493,806 invested in STAR Ohio.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. At June 30, 2020, 100% of the District's investments were in STAR Ohio.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. STAR Ohio money market carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019, and are collected in 2020 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Darke and Miami 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, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 5 - PROPERTY TAXES (continued)

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

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$78,746,130	97.49%	\$84,913,200	97.50%
Public Utility – Personal	2,027,200	2.51	2,175,180	2.50
Total Assessed Value	<u>\$80,773,330</u>	<u>100.00%</u>	<u>\$87,088,380</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.00		\$42.40	

NOTE 6 - INCOME TAX

The District levies a voted tax of one and three-quarter percent for general operations on the income of residents and of estates. 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 receipts credited to the General Fund for fiscal year 2020 were \$1,847,762.

NOTE 7 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2020, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool (see Note 14). Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. The School District contracts for general liability, property, and fleet insurance. Coverage provided is as follows:

Insurance coverage provided includes the following:

Building and Contents – at replacement cost (\$1,000 deductible)	\$26,919,612
Automobile Liability (\$0 deductible)	4,000,000
Uninsured Motorist (\$0 deductible)	1,000,000
General Liability	
Per Occurrence	4,000,000
Aggregate	6,000,000
Employers Liability – Stop Gap	4,000,000
Cyber Coverage	1,000,000
Violence Coverage	1,000,000
Pollution Incident Coverage	1,000,000

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 7 – RISK MANAGEMENT (continued)

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

B. Workers' Compensation

The District pays the state workers' compensation system a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Medical Benefits

For fiscal year 2020, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a risk sharing pool (Note 15). The School District pays monthly premiums to the Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset).

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org 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 65 with 5 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.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution was allocated to the Health Care Fund for fiscal year 2020.

The School District's contractually required contribution to SERS was \$133,022 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School 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.

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 to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

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

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$454,799 for fiscal year 2020.

Net Pension Liability

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.02741240%	0.02572008%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.02730540%</u>	<u>0.02557982%</u>	
Change in Proportionate Share	<u>-0.00010700%</u>	<u>-0.00014026%</u>	
Proportionate Share of the Net Pension Liability	\$1,633,730	\$5,656,823	\$7,290,553

Actuarial Assumptions - SERS

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

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

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

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

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

The long-term return expectation for the Pension Plan Investments has been determined 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 rebalanced uncorrelated asset classes.

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,289,440	\$1,633,730	\$1,083,835

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

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

STRS' 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:

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's Proportionate Share of the Net Pension Liability	\$8,266,817	\$5,656,823	\$3,447,330

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 – DEFINED BENEFIT OPEB PLANS

The net OPEB liability (asset) is not reported on the face of the financial statements as a liability (asset) because of the use of the cash basis framework.

See note 8 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, 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 2020, this amount was \$19,600. 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 2020, the School District's surcharge obligation was \$16,854.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$16,854 for fiscal year 2020.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset) Prior Measurement Date	0.02754290%	0.02572008%	
Proportion of the Net OPEB Liability (Asset) Current Measurement Date	<u>0.02770440%</u>	<u>0.02557982%</u>	
Change in Proportionate Share	<u>0.00016150%</u>	<u>-0.00014026%</u>	
Proportionate Share of the Net OPEB Liability (Asset)	\$696,707	(\$423,663)	\$273,044

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.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

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

Newton Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$845,671	\$696,707	\$578,264
	1% Decrease (6.00 % decreasing to 3.75 %)	Trend Rate (7.00 % decreasing to 4.75 %)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$558,204	\$696,707	\$880,468

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent 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 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

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

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

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

Newton Local School District

Miami County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 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.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net OPEB asset	(\$361,512)	(\$423,663)	(\$475,918)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	(\$480,415)	(\$423,663)	(\$354,156)

NOTE 10 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is presented on the budget basis to provide meaningful comparison of actual results with the budget. The differences between the budget basis and cash basis are:

- (1) outstanding year-end encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (cash), and,
- (2) Perspective differences - activity of some funds is included with the General Fund on the cash basis because those funds do not meet the requirements to be presented as a separate fund. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the General Fund.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 10 – BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the year ended June 30, 2020 for the General Fund:

<u>Net Changes in Fund Balance</u>	
Cash Basis	(\$98,986)
Encumbrances	(79,977)
Perspective Difference	<u>(16,623)</u>
Budget Basis	<u><u>(\$195,586)</u></u>

NOTE 11 – LONG-TERM OBLIGATIONS

The changes in the District’s long-term obligations during fiscal year 2020 were as follows:

	Principal Outstanding 6/30/19	Additions	Deletions	Principal Outstanding 6/30/20	Amount Due in One Year
General Obligations:					
2016 School Facilities Construction and Advanced Refunding Bonds:					
Serial Current Interest Bonds	\$2,530,000	\$0	\$250,000	\$2,280,000	\$0
Term Current Interest Bonds	1,800,000	0	0	1,800,000	0
Capital Appreciation Bonds	629,997	0	0	629,997	214,755
Total General Obligations	<u>\$4,959,997</u>	<u>\$0</u>	<u>\$250,000</u>	<u>\$4,709,997</u>	<u>\$214,755</u>

2016 School Facilities Construction and Advance Refunding Bonds: On October 18, 2016, the District issued general obligation bonds to advance refund the callable portion of the 2008 School Facilities Construction and Advanced Refunding Bonds. This refunded debt is considered defeased (in-substance).

The Series 2016 is comprised of both current interest bonds (serial and term), par value, \$4,580,000, and capital appreciation bonds par value \$629,997. The interest rates on the current interest bonds range from 2.00% - 4.00%.

The capital appreciation bonds mature on January 15, 2021 (stated interest rate 14.098%), January 15, 2022 (stated interest rate 17.122%), and January 15, 2023 (stated interest rate 20.038%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing January 15, 2021 will be \$250,000, January 15, 2022 will be \$255,000, and January 15, 2023 will be \$255,000.

Interest payments on the current interest bonds are due on July 15 and January 15 of each year. The final maturity stated in the issue is January 15, 2036. Payments of principal and interest are recorded as expenditures of the debt service fund. The reacquisition price exceeded the net carrying amount of the old debt by \$280,748.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the long-term obligations at June 30, 2020 are as follows:

Fiscal Year Ending June 30,	School Facilities Construction and Advance Refunding Bonds		
	Principal	Interest	Total
2021	\$214,755	\$173,745	\$388,500
2022	211,339	182,161	393,500
2023	203,903	189,597	393,500
2024	255,000	138,500	393,500
2025	265,000	130,850	395,850
2026-2030	1,440,000	528,150	1,968,150
2031-2035	1,735,000	238,050	1,973,050
2036	385,000	11,550	396,550
Total	\$4,709,997	\$1,592,603	\$6,302,600

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property tax valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530, which became effective March 20, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. At June 30, 2020, the District’s voted debt margin was \$3,906,470 and the unvoted debt margin was \$87,088.

NOTE 12 – LEASE FINANCING

On August 15, 2019, the School District entered into a land lease and a leaseback agreement with PS&W Holding Company, Inc. for the purpose of financing the construction of an athletic field house on real property owned by the School District. PS&W Holding Company, Inc. assigned all of its rights under the leases to ZB National Association DBA Zions Bank as trustee. Under the terms of the leaseback and assignment agreements, the School District is required to make semi-annual variable lease payments to the Trustee beginning June 1, 2020, with final payment due December 1, 2038. The trustee issued Certificates of Participation in the lease to finance the project. The School District is not a party to the Certificates, and the Certificates, the Lease, and the obligation to make Base Rent payments do not represent or constitute bonded indebtedness, a debt of, or a general obligation of the School District. The amount financed was \$1,875,000, which was received by the School District during fiscal year 2020. During fiscal year 2020, the School District made interest payments on the lease of \$41,381 from the General Fund.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 – LEASE FINANCING (continued)

The following is a schedule of the Base Rent payments required under the lease:

Fiscal year Ending June 30,	Principal	Interest	Total
2021	\$65,000	\$51,438	\$116,438
2022	80,000	49,588	129,588
2023	80,000	47,188	127,188
2024	85,000	44,713	129,713
2025	85,000	42,163	127,163
2026-2030	470,000	175,526	645,526
2031-2035	530,000	110,812	640,812
2036-2039	480,000	29,250	509,250
Total	<u>\$1,875,000</u>	<u>\$550,678</u>	<u>\$2,425,678</u>

In the event of default on the lease by the School District, the lessor may, by written notice, request the School District to return possession of the Project to the lessor and/or the lessor may take immediate possession of and remove any or all of the personal property constituting the Project. The lessor may also sublease the Project Facilities, holding the School District liable for all lease payments and other payments due until the effective date of the sublease and for the difference between the rental and any other amounts paid by the sublease and the amounts payable by the School District according to the lease terms. In the event of default, the School District must also reimburse the lessor for any expenses incurred by the lessor in connection with seeking enforcement of or collection of amounts due as part of the lease terms.

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Associations Solutions (META)

The District was a participant in the Metropolitan Educational Technology Association Solutions (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client’s needs. The governing board of META consists of a president, vice-president, and six board members who represent the members of META. The Board works with META’s chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each school district’s degree of control is limited to its representation on the Board. The District paid META \$25,609 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 130 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

The Council exercises total control over the operations of the Council, including budgeting, appropriating, contracting, and designating management. Each member's degree of control is limited to its representation on the Council. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2020, the District did not have to pay any membership fee to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 14- INSURANCE PURCHASING POOL

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created pursuant to and authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 12- member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting claims management, accounting, system support services, sales, and marketing to the OSP. Hyland Administrative Service, LLC, also coordinates reinsurance brokerage services for the OSP.

NOTE 15 – SHARED RISK POOL

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool. The trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwest Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Trust and payment of monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

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Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 16 - SET-ASIDE CALCULATIONS

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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following information describes the change in the fiscal year-end 2020 set-aside amounts for capital improvements.

Set-Aside Balance as of June 30, 2019	\$	0
Current Year Required Set-aside		112,541
Current Year Offsets		(108,522)
Current Year Qualifying Disbursements		(4,019)
		0
Set-Aside Balance as of June 30, 2020	\$	0

Although the District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

NOTE 17 – CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 18 – FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2020 were as follows:

Fund Balance	General	Bond Retirement	Athletic Complex	Other Governmental Funds	Total
Classroom Facilities				\$335,303	\$335,303
Debt Retirement		\$778,513			778,513
Capital Improvements				13,863	13,863
Building Fund				6,740	6,740
Classroom Facilities Maintenance				11,583	11,583
IDEA Grant				3,759	3,759
Growing Newton Together				2,493	2,493
Student Awards				28,915	28,915
Food Service Operations				13,841	13,841
Athletics				52,730	52,730
Total Restricted		<u>778,513</u>		<u>469,227</u>	<u>1,247,740</u>
Committed for:					
Athletic Complex Construction			\$29,401		29,401
Total Committed			<u>29,401</u>		<u>29,401</u>
Assigned for:					
Unpaid Obligations	79,977				79,977
Educational Activities	20,561				20,561
Uniform School Supplies	185				185
Total Assigned	<u>100,723</u>				<u>100,723</u>
Unassigned	<u>2,218,684</u>				<u>2,218,684</u>
Total Fund Balance	<u>\$2,319,407</u>	<u>\$778,513</u>	<u>\$29,401</u>	<u>\$469,227</u>	<u>\$3,596,548</u>

NOTE 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. In addition, the impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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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

Newton Local School District
Miami County
201 North Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, (the District) as of and for the fiscal years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 4, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted that the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 4, 2022

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2021 AND 2020

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

FINDING NUMBER 2021-001

Noncompliance

Ohio Rev. Code §117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response:

The District will continue to file OCBOA as a cost savings measure.

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NEWTON LOCAL SCHOOLS

201 N. Long Street, Pleasant Hill, OH 45359

STRIVING FOR EXCELLENCE



Superintendent

Pat McBride

Secretary:

Brenda Walker

Treasurer

Nick Hamilton

Asst. to the Treasurer:

Jodi Whittaker

Board Members

Nate Oburn, President

Bridgette Haines

Matt Downing

Lane Robbins

Lisa Hildebrand

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021 AND 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) – The District did not file annual financial reports prepared in accordance with generally accepted accounting principles (GAAP).	Not Corrected	The District will continue to file OCBOA as a cost savings measure. Repeated as Finding 2021-001
2019-002	State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), Auditor of State Bulletin 2003-005, and Ohio Rev. Code § 117.28 – Finding for recovery repaid under audit for purchase of employee Christmas gifts (restaurant gift cards) and a personal purchase made with the District credit card.	Fully Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



NEWTON LOCAL SCHOOL DISTRICT

MIAMI 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 2/8/2022

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

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