



OHIO AUDITOR OF STATE
KEITH FABER



**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY
JUNE 30, 2022**

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TUSCARAWAS COUNTY
JUNE 30, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

New Philadelphia City School District
Tuscarawas County
248 Front Avenue, SW
New Philadelphia, Ohio 44663

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component units, the major fund, and the aggregate remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio (School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, the major fund, and the aggregate remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Other Post-Employment Benefit Liabilities and Pension and Other Post-Employment Benefit Contribution be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2023, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2023

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New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

It is a privilege to present to you the financial picture of the New Philadelphia City School District (the "School District"). This discussion and analysis of the School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. The financial statements of the component units are issued as separate reports and are available by contacting the Quaker Digital Academy (the "Academy") and the Quaker Preparatory Academy (the "Academy").

Financial Highlights

Key financial highlights for the 2022 fiscal year are as follows:

- The increase in net position was mainly due to the decrease in program expenses primarily resulting from the decrease in pension expense. The large decrease in the net pension liability also caused a decrease in total liabilities.
- Changes in the State foundation funding model, which are discussed subsequently, yielded decreases in grants and entitlements revenue and in regular instruction and operation of non-instructional services expenses.
- Some of the capital asset additions for fiscal year 2022 included ongoing projects such as heating, ventilation, and air conditioning improvements, improvements to the High School and South roofs, and a new track, as well as buses, a maintenance truck, and technology equipment.

Using this Financial Report

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-86 of this report.

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Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2022?" The statement of net position and the statement of activities answer this question. These statements include *all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, all of the School District's activities are classified as governmental. The School District's programs and services reported here include instruction, support services, operation of food services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant fund. The School District's only major governmental fund is the general fund.

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

Proprietary Funds The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for a health and vision insurance program, which provides medical benefits to employees. This fund uses the accrual basis of accounting.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net position for fiscal year 2022 compared to 2021:

Table 1
 Net Position
 Governmental Activities

	2022	Restated 2021	Change
Assets			
Current and Other Assets	\$24,347,413	\$23,953,223	\$394,190
Net OPEB Asset	2,785,657	2,300,337	485,320
Capital Assets, Net	15,944,723	13,182,766	2,761,957
<i>Total Assets</i>	<u>43,077,793</u>	<u>39,436,326</u>	<u>3,641,467</u>
Deferred Outflows of Resources			
Pension	8,594,094	7,102,675	1,491,419
OPEB	910,000	1,120,054	(210,054)
<i>Total Deferred Outflows of Resources</i>	<u>9,504,094</u>	<u>8,222,729</u>	<u>1,281,365</u>
Liabilities			
Current Liabilities	4,619,334	4,499,494	119,840
Long-Term Liabilities:			
Due Within One Year	293,731	325,045	(31,314)
Due in More Than One Year:			
Net Pension Liability	20,986,661	39,453,827	(18,467,166)
Net OPEB Liability	2,171,499	2,648,551	(477,052)
Other Amounts	1,762,456	1,526,802	235,654
<i>Total Liabilities</i>	<u>29,833,681</u>	<u>48,453,719</u>	<u>(18,620,038)</u>
Deferred Inflows of Resources			
Property Taxes	13,812,769	14,024,120	(211,351)
Leases	33,562	43,983	(10,421)
Pension	17,162,624	336,941	16,825,683
OPEB	4,594,435	4,111,628	482,807
<i>Total Deferred Inflows of Resources</i>	<u>35,603,390</u>	<u>18,516,672</u>	<u>17,086,718</u>
Net Position			
Net Investment in Capital Assets	15,310,514	12,792,273	2,518,241
Restricted	4,102,088	3,303,568	798,520
Unrestricted (Deficit)	(32,267,786)	(35,407,177)	3,139,391
<i>Total Net Position</i>	<u>(\$12,855,184)</u>	<u>(\$19,311,336)</u>	<u>\$6,456,152</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise

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

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

By comparing assets, deferred outflows of resources, liabilities, and deferred inflows of resources, one can see the overall position of the School District has improved as evidenced by the increase in net position. Both unrestricted net position and net investment in capital assets were primary contributors to this increase mainly as a result of the decrease in the net pension liability and the increase in capital assets.

Total assets increased for fiscal year 2022 primarily due to the increase in capital assets. The increase in capital assets was the result of significant additions to capital assets, especially ongoing projects including heating, ventilation, and air conditioning improvements, improvements to the High School and South roofs, and a new track.

Deferred outflows of resources increased from the prior fiscal year due to the increase in deferred outflows related to pension.

Liabilities decreased significantly primarily due to the decrease in the net pension liability, which represents the School District's proportionate share of the unfunded pension benefits of the SERS and STRS plans. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. On the other hand, current liabilities increased in fiscal year 2022 mainly due to the increase in contracts payable related to ongoing improvement projects. Amounts due within one year and other amounts due in more than one year increased primarily due to increases in the compensated absences liability and leases payable.

Total deferred inflows of resources increased significantly from the prior fiscal year mainly due to the increase in deferred inflows related to pension.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Table 2 shows the changes in net position for fiscal year 2022 compared to fiscal year 2021.

Table 2
Change in Net Position
Governmental Activities

	2022	Restated 2021	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$1,682,977	\$1,985,434	(\$302,457)
Operating Grants, Contributions, and Interest	8,700,072	6,273,727	2,426,345
Capital Grants and Contributions	102,863	56,482	46,381
<i>Total Program Revenues</i>	10,485,912	8,315,643	2,170,269
<i>General Revenues</i>			
Property Taxes	16,801,917	16,336,250	465,667
Payments in Lieu of Taxes	0	65,957	(65,957)
Grants and Entitlements	12,519,484	13,643,379	(1,123,895)
Unrestricted Contributions	6,765	0	6,765
Interest	(36,031)	(89,272)	53,241
Miscellaneous	137,117	340,131	(203,014)
<i>Total General Revenues</i>	29,429,252	30,296,445	(867,193)
Total Revenues	39,915,164	38,612,088	1,303,076
<i>Program Expenses</i>			
Instruction:			
Regular	14,669,259	19,183,564	(4,514,305)
Special	5,504,773	7,125,303	(1,620,530)
Vocational	321,376	363,867	(42,491)
Support Services:			
Pupil	1,996,150	2,085,459	(89,309)
Instructional Staff	336,692	557,808	(221,116)
Board of Education	123,460	204,113	(80,653)
Administration	2,567,949	3,121,177	(553,228)
Fiscal	894,891	841,073	53,818
Operation and Maintenance of Plant	2,699,654	2,987,804	(288,150)
Pupil Transportation	1,125,890	1,185,276	(59,386)
Central	290,961	299,201	(8,240)
Operation of Food Services	922,557	913,977	8,580
Operation of Non-Instructional Services	440,781	1,698,019	(1,257,238)
Extracurricular Activities	1,551,001	1,265,716	285,285
Interest and Fiscal Charges	13,618	23,622	(10,004)
<i>Total Program Expenses</i>	33,459,012	41,855,979	(8,396,967)
Change in Net Position	6,456,152	(3,243,891)	9,700,043
Net Position Beginning of Year	(19,311,336)	(16,067,445)	(3,243,891)
Net Position End of Year	(\$12,855,184)	(\$19,311,336)	\$6,456,152

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Governmental Activities

General revenues accounted for the majority of all revenues. Specific program revenues in the form of charges for services, operating grants, contributions, and interest, and capital grants and contributions accounted for the remaining portion of total revenues.

Several revenue sources fund governmental activities, with property taxes being the largest contributor. The last increase in property tax levies by the citizens of the School District was in November 2017, when they passed a replacement and increase permanent improvement levy of 1.0 mill, which began collection in calendar year 2019. In addition, the emergency levy that was originally approved by the voters in 2014 was renewed in May 2018 for an additional five years. The permanent improvement levy was renewed in November 2022 for an additional five years. Property tax revenues increased from the prior fiscal year mainly due to an increase in the amount available as an advance from the County Auditor at fiscal year end, as well as an increase in assessed values.

Grants and entitlements, with the majority coming from the School Foundation program, is the other significant revenue contributor. With the combination of taxes and grants and entitlements funding the significant portion of all expenses in governmental activities, the School District monitors both of these revenue sources very closely for fluctuations. The decrease in grants and entitlements for fiscal year 2022 was due to changes in the foundation funding model discussed subsequently.

For fiscal year 2022, the School District foundation funding from the from the State of Ohio is now funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding are directly funded by the State of Ohio to the respective educating school. 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. The resulting decrease in regular instruction and operation of non-instructional services expenses was mostly offset with a corresponding decrease in intergovernmental revenues related to funding that used to flow through the School District to be paid to the educating schools. Also, in fiscal year 2021, the School District received tuition and fees from resident school districts which are now direct funded to the School District as the educating entity in fiscal year 2022. This resulted in a decrease in tuition and fees that was largely offset by a similar increase in intergovernmental revenue. Although the new foundation funding calculations yielded an overall decrease in intergovernmental revenues, the net funding received by the School District increased for fiscal year 2022.

Operating grants, contributions, and interest program revenues increased in fiscal year 2022 mainly due to Elementary and Secondary School Emergency Relief grants. Charges for services program revenues decreased primarily due to the decrease in tuition and fees resulting from changes in the foundation funding model discussed previously.

Instruction composes the most significant portion of governmental program expenses. The largest component of the decrease in program expenses was related to a significant decrease in pension expense.

Aside from the decreases due to pension expense, regular instruction expense and operation of non-instructional services expense both decreased primarily due to the changes in the foundation funding model discussed previously.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services 2022	Net Cost of Services 2022	Restated Total Cost of Services 2021	Restated Net Cost of Services 2021
Program Expenses				
Instruction:				
Regular	\$14,669,259	\$12,757,928	\$19,183,564	\$17,264,427
Special	5,504,773	2,187,652	7,125,303	4,148,128
Vocational	321,376	252,868	363,867	289,167
Support Services:				
Pupil	1,996,150	1,903,324	2,085,459	1,201,089
Instructional Staff	336,692	278,225	557,808	415,162
Board of Education	123,460	123,460	204,113	204,113
Administration	2,567,949	2,536,080	3,121,177	3,028,713
Fiscal	894,891	894,891	841,073	841,073
Operation and Maintenance of Plant	2,699,654	490,561	2,987,804	2,896,065
Pupil Transportation	1,125,890	1,025,183	1,185,276	1,106,314
Central	290,961	290,961	299,201	265,367
Operation of Food Services	922,557	(491,595)	913,977	29,479
Operation of Non-Instructional Services	440,781	(13,358)	1,698,019	1,024,069
Extracurricular Activities	1,551,001	723,302	1,265,716	803,548
Interest and Fiscal Charges	13,618	13,618	23,622	23,622
<i>Total</i>	<u>\$33,459,012</u>	<u>\$22,973,100</u>	<u>\$41,855,979</u>	<u>\$33,540,336</u>

The dependence upon general revenues for governmental activities is apparent; the majority of expenses are supported through property taxes, grants and entitlements, and other general revenues.

The School District's Funds

Information about the School District's major fund starts on page 18. These funds are accounted for using the modified accrual basis of accounting. Fund balance for total governmental funds increased in fiscal year 2022 primarily due to an increase in revenues, mainly intergovernmental revenue. The increase in intergovernmental revenue was mainly due to the increase in Elementary and Secondary School Emergency Relief grants.

The general fund had a decrease in fund balance for fiscal year 2022 primarily due to the decrease in intergovernmental revenue, despite being partly offset by a decrease in expenditures. The decrease in intergovernmental revenue and the decrease in expenditures, mainly regular instruction and operation of non-instructional services, were all related to the change in foundation funding discussed previously. Although those changes related to foundation would have offset, pupil support services expenditures increased in fiscal

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

year 2022. This increase was primarily due to paying nurses, a counselor, and the security officer from the student wellness fund instead of the general fund in the prior fiscal year. In fiscal year 2022, House Bill 110 included student wellness and success funding as a portion of the general fund; however, there was a significant decrease in the funding amount.

The overall increase in fund balance of the total governmental funds indicates the School District's current revenue base is able to meet the School District's obligations as a whole. The School District understands that it needs to continue to monitor expenditures to ensure it can meet future needs.

Budgeting Highlights

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

During the course of fiscal year 2022, the School District amended its general fund budget three times. Requests for budget changes are made by the building administrators. Final approval is obtained from the Treasurer and Superintendent and is presented to the Board of Education for their adoption.

For the general fund, original budgeted revenue and other financing sources were higher than final budgeted revenue and other financing sources. Actual revenue came in lower than the final budget estimate, mainly due to lower than anticipated intergovernmental revenues.

Original budgeted expenditures were higher than final budgeted expenditures. Actual expenditures were less than final budgeted expenditures mainly due to lower than anticipated expenditures for special instruction and debt service.

The School District's ending unobligated budgetary fund balance was lower than the final budgeted amount due to actual revenues coming in below the final budget estimate.

Capital Assets and Debt Administration

Capital Assets

Capital assets net of depreciation increased overall with additions outpacing current year depreciation and asset disposals for fiscal year 2022. Some of the capital asset additions included heating, ventilation, and air conditioning improvements, improvements to the High School and South roofs, buses, a maintenance truck, a new track, and technology equipment.

The School District's capitalization threshold for capital assets was set at \$500. For additional information on capital assets, see Note 10 to the basic financial statements.

Debt

In June 2018, the School District issued \$420,000 in school improvement bonds through direct placement for the purpose of acquiring and installing boilers at the high school.

At June 30, 2022, the School District's overall legal debt margin was \$47,475,615 with an unvoted debt margin of \$530,507.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

For additional information on long-term obligations, see Note 15 to the basic financial statements.

Challenges and Opportunities

The New Philadelphia City School District is still strong financially. As the preceding information shows, the School District heavily depends on its property taxpayers. The taxpayers renewed a 1 mill permanent improvement levy in November 2022.

State law fixes the amount of tax revenue, forcing it to remain constant except for new valuations in the School District. Management must plan expenses accordingly, staying within the School District's five-year plan.

In July of 2021, House Bill 110 was passed. The bill adopts a new funding model for Ohio school districts. The Funding model addresses student funding based on where they attend rather than the residence. The School District experienced a net increase in funds when the funding model was implemented. The Bill included a 6 year phase in period.

Both scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years and to grow even more dependent on local tax revenue.

In conclusion, the School District's system of budgeting and internal controls are well-regarded, and it will take all of the School District's financial abilities to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Erwin, Treasurer, at New Philadelphia City School District, 248 Front Avenue SW, New Philadelphia, Ohio 44663 or email at erwinj@npschools.org.

Basic Financial Statements

New Philadelphia City School District
Statement of Net Position
June 30, 2022

	Primary Government	Component Units	
	Governmental Activities	Quaker Digital Academy	Quaker Preparatory Academy
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,893,041	\$4,059,540	\$651,629
Cash and Cash Equivalents with Fiscal Agent	970	0	0
Accounts Receivable	460	0	0
Intergovernmental Receivable	795,666	110,045	24,902
Accrued Interest Receivable	3,802	0	0
Prepaid Items	61,539	29,937	2,023
Materials and Supplies Inventory	3,670	0	0
Inventory Held for Resale	6,189	0	0
Property Taxes Receivable	16,548,514	0	0
Lease Receivable	33,562	0	0
Net OPEB Asset (See Note 14)	2,785,657	251,992	26,747
Nondepreciable Capital Assets	3,395,733	0	0
Depreciable Capital Assets, Net	12,548,990	631,604	38,852
<i>Total Assets</i>	<u>43,077,793</u>	<u>5,083,118</u>	<u>744,153</u>
Deferred Outflows of Resources			
Pension	8,594,094	821,187	275,581
OPEB	910,000	117,273	30,759
<i>Total Deferred Outflows of Resources</i>	<u>9,504,094</u>	<u>938,460</u>	<u>306,340</u>
Liabilities			
Accounts Payable	347,718	31,751	12,494
Contracts Payable	163,588	0	0
Accrued Wages and Benefits Payable	3,317,378	75,687	44,486
Intergovernmental Payable	748,777	44,738	8,746
Matured Compensated Absences Payable	41,061	0	0
Accrued Interest Payable	812	0	0
Long-Term Liabilities:			
Due Within One Year	293,731	554,886	16,776
Due in More Than One Year:			
Net Pension Liability (See Note 13)	20,986,661	2,150,853	207,832
Net OPEB Liability (See Note 14)	2,171,499	316,729	21,186
Other Amounts Due in More Than One Year	1,762,456	1,190,008	23,418
<i>Total Liabilities</i>	<u>29,833,681</u>	<u>4,364,652</u>	<u>334,938</u>
Deferred Inflows of Resources			
Property Taxes	13,812,769	0	0
Leases	33,562	0	0
Pension	17,162,624	1,942,305	168,844
OPEB	4,594,435	476,268	42,724
<i>Total Deferred Inflows of Resources</i>	<u>35,603,390</u>	<u>2,418,573</u>	<u>211,568</u>
Net Position			
Net Investment in Capital Assets	15,310,514	17,700	5,290
Restricted for:			
Athletics	162,891	0	0
Capital Projects	601,287	0	0
Food Service Operations	768,347	0	0
Juvenile Attention Center	180,871	0	0
Scholarships	1,509,718	0	0
Special Education	454,504	0	0
Other Purposes	424,470	1,503	12,042
Unrestricted (Deficit)	(32,267,786)	(780,850)	486,655
<i>Total Net Position</i>	<u>(\$12,855,184)</u>	<u>(\$761,647)</u>	<u>\$503,987</u>

See accompanying notes to the basic financial statements

New Philadelphia City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2022

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
Primary Government				
Governmental Activities				
Instruction:				
Regular	\$14,669,259	\$539,479	\$1,351,949	\$19,903
Special	5,504,773	89,225	3,227,896	0
Vocational	321,376	0	68,508	0
Support Services:				
Pupil	1,996,150	0	92,826	0
Instructional Staff	336,692	0	45,507	12,960
Board of Education	123,460	0	0	0
Administration	2,567,949	0	31,869	0
Fiscal	894,891	0	0	0
Operation and Maintenance of Plant	2,699,654	11,061	2,198,032	0
Pupil Transportation	1,125,890	536	100,171	0
Central	290,961	0	0	0
Operation of Food Services	922,557	51,777	1,362,375	0
Operation of Non-Instructional Services	440,781	277,974	176,165	0
Extracurricular Activities	1,551,001	712,925	44,774	70,000
Interest and Fiscal Charges	13,618	0	0	0
Total Primary Government	\$33,459,012	\$1,682,977	\$8,700,072	\$102,863
Component Units				
Quaker Digital Academy	\$3,773,946	\$4,000	\$777,847	\$0
Quaker Preparatory Academy	979,357	45,178	374,294	0
Total Component Units	\$4,753,303	\$49,178	\$1,152,141	\$0

General Revenues

Property Taxes Levied for:

General Purposes

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Contributions

Interest

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year - Restated (See Note 3)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government	Component Units		
Governmental Activities	Quaker Digital Academy	Quaker Preparatory Academy	
(\$12,757,928)	\$0	\$0	
(2,187,652)	0	0	
(252,868)	0	0	
(1,903,324)	0	0	
(278,225)	0	0	
(123,460)	0	0	
(2,536,080)	0	0	
(894,891)	0	0	
(490,561)	0	0	
(1,025,183)	0	0	
(290,961)	0	0	
491,595	0	0	
13,358	0	0	
(723,302)	0	0	
(13,618)	0	0	
(22,973,100)	0	0	
0	(2,992,099)	0	
0	0	(559,885)	
0	(2,992,099)	(559,885)	
16,326,811	0	0	
475,106	0	0	
12,519,484	4,022,636	849,662	
6,765	0	0	
(36,031)	4,860	649	
137,117	4,958	307	
29,429,252	4,032,454	850,618	
6,456,152	1,040,355	290,733	
(19,311,336)	(1,802,002)	213,254	
(\$12,855,184)	(\$761,647)	\$503,987	

New Philadelphia City School District

*Balance Sheet
Governmental Funds
June 30, 2022*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,462,083	\$3,949,691	\$6,411,774
Cash and Cash Equivalents with Fiscal Agent	0	970	970
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	294	0	294
Accounts Receivable	460	0	460
Intergovernmental Receivable	187,705	607,961	795,666
Interfund Receivable	183,980	0	183,980
Accrued Interest Receivable	1,612	2,190	3,802
Lease Receivable	33,562	0	33,562
Prepaid Items	61,539	0	61,539
Materials and Supplies Inventory	0	3,670	3,670
Inventory Held for Resale	0	6,189	6,189
Property Taxes Receivable	16,083,632	464,882	16,548,514
<i>Total Assets</i>	<u>\$19,014,867</u>	<u>\$5,035,553</u>	<u>\$24,050,420</u>
Liabilities			
Accounts Payable	\$157,479	\$190,239	\$347,718
Contracts Payable	0	163,588	163,588
Accrued Wages and Benefits Payable	3,046,185	271,193	3,317,378
Intergovernmental Payable	707,204	41,413	748,617
Interfund Payable	0	183,980	183,980
Matured Compensated Absences Payable	37,666	3,395	41,061
<i>Total Liabilities</i>	<u>3,948,534</u>	<u>853,808</u>	<u>4,802,342</u>
Deferred Inflows of Resources			
Property Taxes	13,428,220	384,549	13,812,769
Leases	33,562	0	33,562
Unavailable Revenue	457,550	461,230	918,780
<i>Total Deferred Inflows of Resources</i>	<u>13,919,332</u>	<u>845,779</u>	<u>14,765,111</u>
Fund Balances			
Nonspendable	61,833	3,670	65,503
Restricted	0	3,892,987	3,892,987
Committed	440,315	0	440,315
Assigned	101,166	0	101,166
Unassigned (Deficit)	543,687	(560,691)	(17,004)
<i>Total Fund Balances</i>	<u>1,147,001</u>	<u>3,335,966</u>	<u>4,482,967</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$19,014,867</u>	<u>\$5,035,553</u>	<u>\$24,050,420</u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2022*

Total Governmental Funds Balances	\$4,482,967
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,944,723
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	311,953
Intergovernmental Grants	460,104
Tuition and Fees	64,018
Miscellaneous	<u>82,705</u>
Total	918,780
In the statement of activities, interest is accrued on outstanding bonds, whereas in the funds, an interest expenditure is reported when due.	(812)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(270,000)
Financed Purchases	(8,785)
Leases Payable	(108,051)
Compensated Absences	<u>(1,669,351)</u>
Total	(2,056,187)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	480,813
The net OPEB asset and net pension/OPEB liabilities are not due and payable in the current period; therefore, the asset, liabilities and related deferred outflows/inflows are not reported in the funds:	
Net OPEB Asset	2,785,657
Deferred Outflows - Pension	8,594,094
Deferred Outflows - OPEB	910,000
Net Pension Liability	(20,986,661)
Net OPEB Liability	(2,171,499)
Deferred Inflows - Pension	(17,162,624)
Deferred Inflows - OPEB	<u>(4,594,435)</u>
Total	<u>(32,625,468)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$12,855,184)</u></u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$16,302,975	\$474,481	\$16,777,456
Intergovernmental	13,962,424	7,053,427	21,015,851
Interest	(35,725)	(72,415)	(108,140)
Tuition and Fees	531,822	508,804	1,040,626
Extracurricular Activities	209,990	502,935	712,925
Contributions and Donations	6,765	236,287	243,052
Charges for Services	6,718	51,777	58,495
Rentals	640	0	640
Lease Revenue	10,421	0	10,421
Miscellaneous	21,724	32,688	54,412
<i>Total Revenues</i>	<u>31,017,754</u>	<u>8,787,984</u>	<u>39,805,738</u>
Expenditures			
Current:			
Instruction:			
Regular	15,012,929	852,411	15,865,340
Special	4,265,975	1,899,098	6,165,073
Vocational	354,991	0	354,991
Support Services:			
Pupil	2,064,449	92,147	2,156,596
Instructional Staff	598,617	143,962	742,579
Board of Education	123,762	0	123,762
Administration	2,831,288	31,869	2,863,157
Fiscal	971,050	0	971,050
Operation and Maintenance of Plant	2,891,520	2,188,928	5,080,448
Pupil Transportation	1,204,030	21,635	1,225,665
Central	299,943	0	299,943
Operation of Food Services	0	988,401	988,401
Operation of Non-Instructional Services	0	468,322	468,322
Extracurricular Activities	839,350	633,845	1,473,195
Capital Outlay	128,199	527,563	655,762
Debt Service:			
Principal Retirement	25,096	41,914	67,010
Interest and Fiscal Charges	2,791	10,948	13,739
<i>Total Expenditures</i>	<u>31,613,990</u>	<u>7,901,043</u>	<u>39,515,033</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(596,236)</u>	<u>886,941</u>	<u>290,705</u>
Other Financing Sources (Uses)			
Inception of Financed Purchase	0	8,900	8,900
Inception of Lease Payable	128,199	0	128,199
Transfers In	0	96,893	96,893
Transfers Out	(96,893)	0	(96,893)
<i>Total Other Financing Sources (Uses)</i>	<u>31,306</u>	<u>105,793</u>	<u>137,099</u>
<i>Net Change in Fund Balances</i>	<u>(564,930)</u>	<u>992,734</u>	<u>427,804</u>
<i>Fund Balances Beginning of Year -</i>			
<i>Restated (See Note 3)</i>			
	<u>1,711,931</u>	<u>2,343,232</u>	<u>4,055,163</u>
<i>Fund Balances End of Year</i>	<u>\$1,147,001</u>	<u>\$3,335,966</u>	<u>\$4,482,967</u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2022*

Net Change in Fund Balances - Total Governmental Funds \$427,804

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

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

Capital Asset Additions:			
Capital Outlay	3,859,106		
Capital Contributions	19,903		
Depreciation/Amortization	<u>(1,047,072)</u>		
Total			2,831,937

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (69,980)

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

Property Taxes	24,461		
Intergovernmental	122,487		
Tuition and Fees	(140,130)		
Miscellaneous	82,705		
Total	<u>82,705</u>		89,523

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

Accrued Interest	121		
Compensated Absences	<u>(134,251)</u>		
Total			(134,130)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Payment on General Obligation Bonds	40,000		
Payment on Financed Purchases	1,914		
Payment on Leases Payable	<u>25,096</u>		
Total			67,010

The change in net position of the internal service fund is reported with governmental activities in the statement of activities. (21,326)

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities:

Inception of Financed Purchase	(8,900)		
Inception of Lease Payable	<u>(128,199)</u>		
Total			(137,099)

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

Pension	2,916,238		
OPEB	<u>74,655</u>		
Total			2,990,893

Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB asset or liability are reported as pension/OPEB expense in the statement of activities:

Pension	216,664		
OPEB	<u>194,856</u>		
Total			<u>411,520</u>

Change in Net Position of Governmental Activities \$6,456,152

See accompanying notes to the basic financial statements

New Philadelphia City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$15,835,730	\$15,835,730	\$15,997,128	\$161,398
Intergovernmental	15,950,344	14,526,828	13,939,735	(587,093)
Interest	71,544	65,159	56,176	(8,983)
Tuition and Fees	318,105	289,717	531,822	242,105
Contributions and Donations	0	0	6,765	6,765
Charges for Services	35	32	6,718	6,686
Rentals	1,578	1,770	640	(1,130)
Miscellaneous	270,760	247,543	57,254	(190,289)
<i>Total Revenues</i>	32,448,096	30,966,779	30,596,238	(370,541)
Expenditures				
Current:				
Instruction:				
Regular	16,119,349	15,281,970	15,196,664	85,306
Special	5,467,610	5,467,610	4,321,984	1,145,626
Vocational	112,065	112,065	351,927	(239,862)
Support Services:				
Pupil	1,207,219	1,209,370	1,903,883	(694,513)
Instructional Staff	670,133	667,980	607,013	60,967
Board of Education	168,348	168,348	144,008	24,340
Administration	2,871,758	2,871,459	2,880,598	(9,139)
Fiscal	758,600	758,100	999,577	(241,477)
Business	1,000	1,000	0	1,000
Operation and Maintenance of Plant	2,764,688	2,764,688	2,877,829	(113,141)
Pupil Transportation	1,120,362	1,120,362	1,267,873	(147,511)
Central	225,989	225,989	497,397	(271,408)
Operation of Non-Instructional Services	1,035,284	284	0	284
Extracurricular Activities	611,105	611,105	630,067	(18,962)
Capital Outlay	14,978	14,978	0	14,978
Debt Service:				
Principal Retirement	2,025,096	1,038,313	25,096	1,013,217
Interest and Fiscal Charges	2,791	2,791	2,791	0
<i>Total Expenditures</i>	35,176,375	32,316,412	31,706,707	609,705
<i>Excess of Revenues Under Expenditures</i>	(2,728,279)	(1,349,633)	(1,110,469)	239,164
Other Financing Sources (Uses)				
Advances In	30,000	30,000	0	(30,000)
Advances Out	0	0	(183,980)	(183,980)
Transfers In	125,000	125,000	0	(125,000)
Transfers Out	0	0	(96,893)	(96,893)
<i>Total Other Financing Sources (Uses)</i>	155,000	155,000	(280,873)	(435,873)
<i>Net Change in Fund Balance</i>	(2,573,279)	(1,194,633)	(1,391,342)	(196,709)
<i>Fund Balance Beginning of Year</i>	2,938,493	2,938,493	2,938,493	0
Prior Year Encumbrances Appropriated	369,760	369,760	369,760	0
<i>Fund Balance End of Year</i>	\$734,974	\$2,113,620	\$1,916,911	(\$196,709)

See accompanying notes to the basic financial statements

New Philadelphia City School District

Statement of Fund Net Position

Proprietary Fund

June 30, 2022

	<u>Governmental Activities - Internal Service</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$480,973
Liabilities	
<i>Current Liabilities:</i>	
Intergovernmental Payable	<u>160</u>
Net Position	
Unrestricted	<u><u>\$480,813</u></u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2022*

	Governmental Activities - Internal Service
Operating Revenues	
Charges for Services	\$5,655,643
Operating Expenses	
Fringe Benefits	5,676,969
<i>Change in Net Position</i>	(21,326)
<i>Net Position Beginning of Year</i>	502,139
<i>Net Position End of Year</i>	\$480,813

See accompanying notes to the basic financial statements

New Philadelphia City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2022

	Governmental Activities - Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$5,655,643
Cash Payments for Premiums	(5,676,849)
<i>Net Decrease in Cash and Cash Equivalents</i>	(21,206)
<i>Cash and Cash Equivalents Beginning of Year</i>	502,179
<i>Cash and Cash Equivalents End of Year</i>	\$480,973
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	(\$21,326)
Adjustments:	
Increase in Liabilities:	
Intergovernmental Payable	120
<i>Net Cash Used in Operating Activities</i>	(\$21,206)

See accompanying notes to the basic financial statements

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New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 1 – Description of the School District and Reporting Entity

The New Philadelphia City School District (the “School District”) operates under a locally-elected Board form of government and provides educational services as authorized by State statute and/or Federal guidelines. This Board controls the School District’s 11 instruction/support facilities staffed by 157 non-certificated employees, 220 certificated full-time teaching personnel and 20 administrative employees who provide services to 2,700 students and other community members.

The School District was established in 1808, the first in the State of Ohio, and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a School District to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four-year terms.

The School District serves an area of approximately 72 square miles. It is located in Tuscarawas County, and includes all of the City of New Philadelphia, the Village of Stone Creek and portions of nine townships. The School District currently operates seven instructional buildings, an administration building, a warehouse building, a preschool/sports complex and a garage.

Reporting Entity

A reporting entity is composed 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 consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool, community services, and student related activities of the School District.

Nonpublic Schools Within the School District boundaries, Tuscarawas Central Catholic Junior and Senior High School is operated through the Columbus Catholic Diocese. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District.

Discretely Presented Component Units The component unit columns in the financial statements identify the financial data of the School District’s component units, the Quaker Digital Academy and the Quaker Preparatory Academy. The component units are reported separately to emphasize that they are legally separate from the School District.

Quaker Digital Academy The Quaker Digital Academy is a legally separate community school created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The Quaker Digital Academy’s mission, under a contractual agreement with the School District (Quaker Digital

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Academy's sponsor), is to enhance and facilitate student learning by combining state-of-the-art digital curriculum and instruction with access to local school resources that complement that instruction and prepare students to become lifelong learners and productive citizens. The Quaker Digital Academy serves as a dropout prevention and recovery school and focuses on ensuring that basic survival needs are met so that students can achieve success in school. Quaker Digital Academy serves elementary, middle, and high school age students and above who have dropped out or are at risk of dropping out of school. For fiscal 2017, Quaker Digital Academy's dropout prevention and recovery status was terminated because a majority of the students served were not between the ages of 16 and 21. The Quaker Digital Academy reapplied for the drop-out prevention and recovery status for fiscal year 2018, and it was granted (see Note 24).

The Quaker Digital Academy operates under the direction of a five-member Board of Directors composed of five community members appointed by the Executive Director after consulting with the Sponsor's superintendent. All governing authority members live and/or work in the New Philadelphia - Tuscarawas County community as well as represent the interest of the Tuscarawas County community. The Sponsor is able to impose its will on Quaker Digital Academy, and due to Quaker Digital Academy's relationship with New Philadelphia City School District, it would be misleading to exclude Quaker Digital Academy. The Sponsor can suspend the Quaker Digital Academy's operations for any of the following reasons: 1) the Quaker Digital Academy's failure to meet student performance requirements stated in its contract with the Sponsor, 2) the Quaker Digital Academy's failure to meet generally accepted standards of fiscal management, 3) the Quaker Digital Academy's violation of any provisions of the contract with the Sponsor or applicable State or Federal law, or 4) other good cause. Separately issued financial statements can be obtained from Quaker Digital Academy, 248 Front Avenue SW, New Philadelphia, Ohio 44663.

Quaker Preparatory Academy The Quaker Preparatory Academy is a legally separate community school created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The Quaker Preparatory Academy's mission, under a contractual agreement with the School District (Quaker Preparatory Academy's sponsor), is to enhance and facilitate student learning by combining state-of-the-art digital curriculum and instruction with access to local school resources that complement that instruction and prepare students to become lifelong learners and productive citizens. The Quaker Preparatory Academy serves as an internet/computer-based community school providing education to students in kindergarten through eighth grade who reside in any school district located in Ohio. Quaker Preparatory Academy first began enrolling students for fiscal year 2021 (see Note 25).

The Quaker Preparatory Academy operates under the direction of a five-member Board of Directors composed of five community members appointed by the Executive Director after consulting with the Sponsor's superintendent. All governing authority members live and/or work in the New Philadelphia - Tuscarawas County community as well as represent the interest of the Tuscarawas County community. The sponsor is able to impose its will on Quaker Preparatory Academy, and due to Quaker Preparatory Academy's relationship with New Philadelphia City School District, it would be misleading to exclude Quaker Preparatory Academy. The Sponsor can suspend the Quaker Preparatory Academy's operations for any of the following reasons: 1) the Quaker Preparatory Academy's failure to meet student performance requirements stated in its contract with the Sponsor, 2) the Quaker Preparatory Academy's failure to meet generally accepted standards of fiscal management, 3) the Quaker Preparatory Academy's violation of any provisions of the contract with the Sponsor or applicable State or Federal law, or 4) other good cause. Separately issued financial statements can be obtained from Quaker Preparatory Academy, 248 Front Avenue SW, New Philadelphia, Ohio 44663.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

The School District participates in four jointly governed organizations and two public entity risk pools. These organizations are the Ohio Mid-Eastern Regional Education Service Agency, Buckeye Joint Vocational School District, Tuscarawas County Tax Incentive Review Council, Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Portage Area School Consortium. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Information in the following notes to the basic financial statements is applicable to the primary government. Information for the component units is presented in Notes 24 and 25.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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 various funds of the School District are grouped into two categories: governmental and proprietary.

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

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

The other governmental funds of the School District account for grants and other resources whose uses are restricted, committed, or assigned to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The School District's only proprietary fund is an internal service fund.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The only internal service fund that the School District accounts for is a health and vision insurance program, which provides medical benefits to employees.

Measurement Focus

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of fund net

New Philadelphia City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2022

position. For the internal service fund, the statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 9). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to the leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet and

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, tuition and fees, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 13 and 14).

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

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

Budgetary Process

All 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

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

Cash and Cash Equivalents

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

During fiscal year 2022, investments were limited to STAR Ohio, a repurchase agreement, a money market account, negotiable certificates of deposit, federal home loan bank notes, and federal farm credit bank notes. The School District measures its investment in the repurchase agreement at cost. The money market account, negotiable certificates of deposit, federal home loan bank notes, and federal farm credit bank notes are reported at fair value.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

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

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2022 amounted to (\$35,725), which includes \$2,900 assigned from other School District funds. The fair value of investments declined during fiscal year 2022, resulting in negative investment earnings.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

The School District uses a fiscal agent to hold money used to pay athletics officials. These monies are reflected in the financial statements as "cash and cash equivalents with fiscal agent."

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside for unclaimed monies.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory

Inventories are presented at the lower of cost or market value and donated commodities are presented at their entitlement value. Inventories are presented on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption, and donated food and purchased food held for resale.

Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

All capital assets (except for intangible right to use lease assets, which are discussed subsequently) are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

Description	Governmental Activities Estimated Lives
Land Improvements	40 years
Buildings and Improvements	10-40 years
Furniture and Equipment	5-20 years
Vehicles	10 years

The School District is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Interfund Balances

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund or funds from which the employees who have accumulated the leave are paid.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds; however, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds and leases are recognized as a liability on the governmental fund financial statements when due.

Pensions/Other Postemployment Benefits (OPEB)

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the 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 Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Education or by a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education also assigned fund balance for public school support.

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through either external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes includes unclaimed monies, band uniforms, community involvement, instructional programs, school safety, student activities, student instruction, student wellness and success, pandemic response, and teacher development.

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

Interfund Activity

Transfers between governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the government-wide statements. Interfund payments for services provided and used are not eliminated.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for health and vision insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Note 3 – Changes in Accounting Principles and Restatement of Fund Balances and Net Position

Changes in Accounting Principles

For fiscal year 2022, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*.

GASB Statement 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the School District’s 2022 financial statements. The School District recognized \$43,983 in leases receivable at July 1, 2021; however, this entire amount was offset by the deferred inflows related to leases. Also, the School District’s prior year capital lease met the criteria of a lease under GASB 87, resulting in the reclassification of the liability of \$4,948 from capital leases to leases payable at July 1, 2021. This also required the remeasurement of the related capital assets, with the recognition of a \$4,948 intangible asset, right to use lease – equipment, compared to the \$51,700 book value of capital assets previously reported, yielding a restatement to net position of (\$46,752) as of July 1, 2021.

The School District is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92, *Omnibus 2020*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Among other items, GASB 97 requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan. These changes were incorporated in the School District’s 2022 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Fund Balances and Net Position

For fiscal year 2022, the School District modified its approach related to the eligibility requirements of certain School District grants, resulting in restatements to fund balance/net position at July 1, 2021.

This modification had the following effect on fund balances as reported July 1, 2021:

	General	Other Governmental Funds	Total Governmental Funds
Fund Balances at July 1, 2021	\$1,711,931	\$2,344,894	\$4,056,825
Adjustments:			
Intergovernmental Receivable	0	(428,141)	(428,141)
Unearned Revenue	0	(1,662)	(1,662)
Deferred Inflows - Unavailable Revenue	0	428,141	428,141
Restated Fund Balances at July 1, 2021	<u>\$1,711,931</u>	<u>\$2,343,232</u>	<u>\$4,055,163</u>

The modification to the approach related to grants and the implementation of GASB 87 had the following effects on net position as reported July 1, 2021:

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

	Governmental Activities
Net Position at July 1, 2021	<u>(\$18,834,781)</u>
Adjustments:	
Intergovernmental Receivable	(428,141)
Unearned Revenue	(1,662)
GASB Statement 87	<u>(46,752)</u>
Restated Net Position at July 1, 2021	<u><u>(\$19,311,336)</u></u>

Note 4 – Budgetary Basis of Accounting

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

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
4. Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP reporting.
6. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$564,930)
Net Adjustment for Revenue Accruals	(302,480)
Beginning Fair Value Adjustment for Investments	39,432
Ending Fair Value Adjustment for Investments	51,522
Net Adjustment for Expenditure Accruals	112,317
Advances Out	(183,980)
Perspective Difference:	
Public School Support	(1,174)
Encumbrances	(542,049)
Budget Basis	<u><u>(\$1,391,342)</u></u>

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 5 – Accountability

Fund balances at June 30, 2022, included individual fund deficits in the following funds:

	<u>Amount</u>
<i>Special Revenue:</i>	
Preschool	\$48,329
Elementary and Secondary School Emergency Relief	114,955
Title VI-B	119,070
Title III	4,103
Title I	135,684
Title IV-A	700
Preschool Grants	4,749
Improving Teacher Quality	25,451
Miscellaneous Federal Grants	107,650

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

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.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any Federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed previously provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate 5 percent of interim moneys available for investment at the time of purchase.

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

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

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Investments

As of June 30, 2022, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value Per Share:				
STAR Ohio	\$51,635	Less than one year	AAAm	N/A
Cost:				
Repurchase Agreement	4,240,698	Less than one year	N/A	61.43 %
Fair Value - Level 1 Inputs:				
Money Market Account	38,406	Less than one year	AAAm	N/A
Fair Value - Level 2 Inputs:				
Negotiable Certificates of Deposit	1,450,298	Less than three years	N/A	21.01
Federal Home Loan Bank Notes	641,465	Less than three years	AAA or AA+	9.29
Federal Farm Credit Bank Notes	480,626	Less than four years	AA+	6.96
Total Investments	<u>\$6,903,128</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The preceding chart identifies the School District's recurring fair value measurements as of June 30, 2022. The School District's money market account is measured at fair value based on quoted market prices (level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided marts, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (level 2 inputs).

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring the School District's investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. Repurchase agreements shall not exceed 30 days.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement and negotiable certificates of deposit are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty. The School District has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District does not have an investment policy that addresses credit risk.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer.

Note 7 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>			
Prepays	\$61,539	\$0	\$61,539
Inventory	0	3,670	3,670
Unclaimed Monies	294	0	294
<i>Total Nonspendable</i>	<u>61,833</u>	<u>3,670</u>	<u>65,503</u>
<u>Restricted for:</u>			
Athletics	0	162,891	162,891
Capital Projects	0	484,185	484,185
Food Service Operations	0	785,400	785,400
Juvenile Attention Center	0	195,578	195,578
Scholarships	0	1,509,718	1,509,718
Special Education	0	419,862	419,862
<u>Other Purposes:</u>			
Band Uniforms	0	6,367	6,367
Community Involvement	0	36,752	36,752
Instructional Programs	0	68,314	68,314
School Safety	0	105	105
Student Activities	0	69,237	69,237
Student Instruction	0	90,466	90,466
Student Wellness and Success	0	63,985	63,985
Teacher Development	0	127	127
<i>Total Restricted</i>	<u>0</u>	<u>3,892,987</u>	<u>3,892,987</u>
<u>Committed to:</u>			
<u>Purchases on Order:</u>			
Instructional Services	226,826	0	226,826
Support Services	213,489	0	213,489
<i>Total Committed</i>	<u>440,315</u>	<u>0</u>	<u>440,315</u>
<u>Assigned to:</u>			
Public School Support	46,048	0	46,048
<u>Purchases on Order:</u>			
Instructional Services	5,912	0	5,912
Support Services	49,206	0	49,206
<i>Total Assigned</i>	<u>101,166</u>	<u>0</u>	<u>101,166</u>
Unassigned (Deficit)	<u>543,687</u>	<u>(560,691)</u>	<u>(17,004)</u>
Total Fund Balances	<u><u>\$1,147,001</u></u>	<u><u>\$3,335,966</u></u>	<u><u>\$4,482,967</u></u>

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 8 – Receivables

Receivables at June 30, 2022, consisted of taxes, accounts (tuition and fees, extracurricular, and miscellaneous) intergovernmental grants, leases, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except for delinquent property taxes and leases are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Juvenile Attention Center - County Share	\$127,111
Title I-A Improving Basic Programs Grant	125,455
School Employees Retirement System Refund	82,705
IDEA-B Special Education Grant	77,829
Elementary and Secondary School Emergency Relief II	71,909
Regular Tuition	49,405
Early Childhood Education Grant	48,329
American Recovery Plan IDEA Part B Special Education Grant	41,241
American Recovery Plan Elementary and Secondary School Emergency Relief	40,000
School Foundation Payment Report Adjustment	33,219
Title II-A Supporting Effective Instruction Grant	25,451
Medicaid in Schools	21,083
Special Education Tuition	14,613
Title I-D Delinquent Grant	10,229
QDA Sponsor Fee True-Up	7,669
Food Service Grants and Reimbursements	5,996
IDEA Early Childhood Special Education Grant	4,749
Title III Language Instruction for English Learners Grant	4,103
Elementary and Secondary School Emergency Relief I	3,046
Extracurricular Activities Reimbursement	1,430
QPA Sponsor Fee True-Up	94
Total	<u><u>\$795,666</u></u>

Leases Receivable

The School District is reporting leases receivable of \$33,562 in the general fund at June 30, 2022. This amount represents the discounted future lease payments. This discount is being amortized using the interest method. For fiscal year 2022, the School District recognized lease revenue of \$10,421 and interest revenue of \$1,579 in the general fund related to lease payments received. A description of the School District's leasing arrangement is as follows:

Facility Lease – The School District has entered into a lease agreement with Quaker Preparatory Academy for space in the administrative building for a period of 5 years commencing in fiscal year 2021 and ending in fiscal year 2025. Payments are made annually.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

A summary of future lease revenue is as follows:

Fiscal Year	General	
	Principal	Interest
2023	\$10,795	\$1,205
2024	11,183	817
2025	11,584	416
	<u>\$33,562</u>	<u>\$2,438</u>

Note 9 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District’s parameters. Real property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 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 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021, and are collected in calendar year 2022 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2022, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2022, was \$2,352,348 in the general fund and \$71,444 in the permanent improvement capital projects fund. By comparison, the amount available as an advance at June 30, 2021, was \$2,046,501 in the general fund and \$62,058 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2022 taxes were collected are as follows:

	2021 Second Half Collections		2022 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$496,499,880	94.86 %	\$499,512,070	94.16 %
Public Utility Personal	26,914,860	5.14	30,994,760	5.84
Total	\$523,414,740	100.00 %	\$530,506,830	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$52.20		 \$52.00	

The tax rate decreased due to an increase in property tax values in the School District during fiscal year 2022. The increase in property tax values caused the tax rate to decrease so that the emergency levies would meet their collection amounts.

Tax Abatements

The School District’s property taxes were reduced as follows under community reinvestment area tax exemption, enterprise zone tax exemption and tax increment financing agreements entered into by overlapping governments:

<u>Overlapping Government</u>	<u>Amount of Fiscal Year 2022 Taxes Abated</u>
<i>Community Reinvestment Area:</i>	
City of New Philadelphia	\$49,344
<i>Enterprise Zone Tax Exemptions:</i>	
City of New Philadelphia	83,881
<i>Tax Increment Financing:</i>	
Goshen Township	112,671

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 10 – Capital Assets

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

	Restated Balance 6/30/21	Additions	Reductions	Balance 6/30/22
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$1,099,266	\$0	\$0	\$1,099,266
Construction in progress	0	2,296,467	0	2,296,467
Total capital assets not being depreciated	<u>1,099,266</u>	<u>2,296,467</u>	<u>0</u>	<u>3,395,733</u>
Depreciable Capital Assets:				
Buildings and improvements	23,943,417	284,547	0	24,227,964
Furniture and equipment	4,883,426	1,035,126	(427,949)	5,490,603
Vehicles	2,174,084	134,670	(120,760)	2,187,994
Intangible Right to Use Lease - Equipment**	4,948	128,199	(4,948)	128,199
Total Depreciable Capital Assets	<u>31,005,875</u>	<u>1,582,542</u>	<u>(553,657)</u>	<u>32,034,760</u>
Accumulated Depreciation/Amortization:				
Buildings and improvements	(14,602,785)	(550,289)	0	(15,153,074)
Furniture and equipment	(3,026,816)	(286,850)	357,969	(2,955,697)
Vehicles	(1,292,774)	(183,618)	120,760	(1,355,632)
Intangible Right to Use Lease - Equipment**	0	(26,315)	4,948	(21,367)
Total Accumulated Depreciation/Amortization	<u>(18,922,375)</u>	<u>(1,047,072) *</u>	<u>483,677</u>	<u>(19,485,770)</u>
Total Depreciable Capital Assets, Net	<u>12,083,500</u>	<u>535,470</u>	<u>(69,980)</u>	<u>12,548,990</u>
Total Governmental Activities Capital Assets, Net	<u>\$13,182,766</u>	<u>\$2,831,937</u>	<u>(\$69,980)</u>	<u>\$15,944,723</u>

* Depreciation/amortization expense was charged to governmental functions as follows:

Instruction:	
Regular	\$577,728
Special	40,447
Vocational	3,136
Support Services:	
Instructional Staff	42,019
Administration	18,101
Fiscal	1,571
Operation and Maintenance of Plant	72,868
Pupil Transportation	122,993
Central	5,506
Operation of Food Services	9,659
Operation of Non-Instructional Services	2,339
Extracurricular Activities	150,705
Total Depreciation/Amortization Expense	<u>\$1,047,072</u>

** Of the current year depreciation/amortization total of \$1,047,072, \$26,315 is presented as support services – operation and maintenance of plant expense on the statement of activities related to the School District’s intangible asset of copiers, which is included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

The School District received athletic equipment and musical instruments valued at \$19,903. The School District has recorded these as capital contributions.

Note 11 – Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2022, consisted of the following:

Interfund Payable	Interfund Receivable General
<i>Other Governmental Funds:</i>	
Preschool	\$9,741
Elementary and Secondary School Emergency Relief	21,062
Title VI-B	18,113
Title III	499
Title I	25,975
Preschool Grants	940
Miscellaneous Federal Grants	107,650
Total	\$183,980

Interfund receivables and payables are due to the timing of the receipt of grant monies. The general fund provides money to operate the programs until grants are received and the advances can be repaid.

Interfund Transfers

During fiscal year 2022, the general fund transferred \$96,893 to other governmental funds to move unrestricted balances to support programs and projects accounted for in those funds.

Note 12 – Risk Management

Property and Liability Insurance

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 2022, the School District contracted with Liberty Mutual Insurance for property, inland marine, and liability insurance and fleet coverage as follows:

Type of Coverage	Deductible	Coverage
Building and Contents (Replacement Cost)	\$5,000	\$84,273,068
Inland Marine Coverage	250 - 500	1,421,162
Crime Insurance	500 - 1,000	50,000 - 200,000
Electronic Data Processing	5,000	2,000,000
Automobile Liability	250 - 1,000	1,000,000
Uninsured Motorists	0	1,000,000
Data and Cyber Security Liability	10,000	1,000,000
General Liability:		
Per Occurrence	N/A	1,000,000
Annual Limit	N/A	3,000,000

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Settled claims have not exceeded this coverage in any of the past three years. There was no significant reduction in insurance coverage from the prior year.

Workers' Compensation

For fiscal year 2022, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. Sedgwick provides administrative, cost control and actuarial services to the GRP.

Employee Medical Benefits

The School District is a member of the Portage Area School Consortium (the Consortium), a shared risk pool (see Note 19), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the Program) is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve. The School District pays premiums ranging from \$1,587 to \$1,652 for family coverage and ranging from \$657 to \$682 for single coverage per employee per month.

Note 13 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities (asset) to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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.

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 include 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 health care to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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, 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	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit 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 30 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.

New Philadelphia City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2022

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$587,817 for fiscal year 2022. Of this amount \$36,676 is reported as an intergovernmental payable.

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 retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined 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 5 years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be 5 years of qualifying service credit and age 60, or 30 years of service credit at any age.

New Philadelphia City School District

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

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

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

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

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

The School District's contractually required contribution to STRS was \$2,328,421 for fiscal year 2022. Of this amount \$351,873 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2021, 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 information related to the proportionate share and pension expense:

New Philadelphia City School District

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	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.11095280%	0.13212074%	
Prior Measurement Date	0.11768340%	0.13088701%	
Change in Proportionate Share	<u>-0.00673060%</u>	<u>0.00123373%</u>	
Proportionate Share of the Net Pension Liability	\$4,093,837	\$16,892,824	\$20,986,661
Pension Expense	(\$264,627)	\$47,963	(\$216,664)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$395	\$521,907	\$522,302
Changes of assumptions	86,204	4,686,372	4,772,576
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	11,820	371,158	382,978
School District contributions subsequent to the measurement date	587,817	2,328,421	2,916,238
Total Deferred Outflows of Resources	<u>\$686,236</u>	<u>\$7,907,858</u>	<u>\$8,594,094</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$106,170	\$105,884	\$212,054
Net difference between projected and actual earnings on pension plan investments	2,108,445	14,558,381	16,666,826
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	236,547	47,197	283,744
Total Deferred Inflows of Resources	<u>\$2,451,162</u>	<u>\$14,711,462</u>	<u>\$17,162,624</u>

\$2,916,238 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2023	(\$656,097)	(\$2,208,710)	(\$2,864,807)
2024	(548,170)	(1,961,544)	(2,509,714)
2025	(501,312)	(2,111,127)	(2,612,439)
2026	(647,164)	(2,850,644)	(3,497,808)
Total	<u>(\$2,352,743)</u>	<u>(\$9,132,025)</u>	<u>(\$11,484,768)</u>

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Actuarial Assumptions – SERS

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

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

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

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

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

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

Mortality rates for 2020 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.

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

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

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

Discount Rate The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 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 earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$6,811,139	\$4,093,837	\$1,802,217

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented as follows:

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

	June 30, 2021	June 30, 2020
Inflation	2.50 percent	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost of Living Adjustments (COLA)	0.0 percent	0.0 percent

Post-retirement 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021, 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:

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 are net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and 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 previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$31,633,938	\$16,892,824	\$4,436,615

Changes Between the Measurement Date and the Reporting Date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time 3 percent cost of living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

Note 14 – Defined Benefit OPEB Plans

See Note 13 for a description of the net OPEB liability (asset).

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

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.

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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 2022, 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 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-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 2022, the School District’s surcharge obligation was \$74,655.

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 \$74,655 for fiscal year 2022, which is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS, which can be obtained by visiting www.strsoh.org 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 postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to postemployment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.11473740%	0.13212074%	
Prior Measurement Date	0.12186620%	0.13088701%	
Change in Proportionate Share	<u>-0.00712880%</u>	<u>0.00123373%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$2,171,499	\$0	\$2,171,499
Net OPEB (Asset)	\$0	(\$2,785,657)	(\$2,785,657)
OPEB Expense	(\$17,573)	(\$177,283)	(\$194,856)

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At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$23,147	\$99,188	\$122,335
Changes of assumptions	340,657	177,936	518,593
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	126,440	67,977	194,417
School District contributions subsequent to the measurement date	<u>74,655</u>	<u>0</u>	<u>74,655</u>
Total Deferred Outflows of Resources	<u><u>\$564,899</u></u>	<u><u>\$345,101</u></u>	<u><u>\$910,000</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$1,081,505	\$510,382	\$1,591,887
Changes of assumptions	297,369	1,661,848	1,959,217
Net difference between projected and actual earnings on OPEB plan investments	47,177	772,136	819,313
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>216,080</u>	<u>7,938</u>	<u>224,018</u>
Total Deferred Inflows of Resources	<u><u>\$1,642,131</u></u>	<u><u>\$2,952,304</u></u>	<u><u>\$4,594,435</u></u>

\$74,655 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$238,755)	(\$743,594)	(\$982,349)
2024	(239,086)	(724,268)	(963,354)
2025	(259,943)	(708,849)	(968,792)
2026	(233,028)	(323,819)	(556,847)
2027	(132,254)	(109,314)	(241,568)
Thereafter	<u>(48,821)</u>	<u>2,641</u>	<u>(46,180)</u>
Total	<u><u>(\$1,151,887)</u></u>	<u><u>(\$2,607,203)</u></u>	<u><u>(\$3,759,090)</u></u>

Actuarial Assumptions – SERS

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

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Notes to the Basic Financial Statements

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

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

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

	June 30, 2021	June 30, 2020
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption:		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

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

For 2020, 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, 2020.

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The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 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 SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

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

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 and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$2,690,750	\$2,171,499	\$1,756,685
	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$1,671,877	\$2,171,499	\$2,838,842

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020, actuarial valuation are presented as follows:

	June 30, 2021	June 30, 2020
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends:		
Medical:		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug:		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 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, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021, and 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, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

New Philadelphia City School District

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For the Fiscal Year Ended June 30, 2022*

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	(\$2,350,664)	(\$2,785,657)	(\$3,149,029)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$3,134,306)	(\$2,785,657)	(\$2,354,522)

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

Note 15 – Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2022 were as follows:

	Restated Amount Outstanding 06/30/21	Additions	Reductions	Amount Outstanding 06/30/22	Amount Due in One Year
Governmental Activities					
General Obligation Bonds from Direct Placement:					
2018 School Improvement Bonds	310,000	\$0	(\$40,000)	\$270,000	\$41,000
Net Pension Liability:					
SERS	7,783,828	0	(3,689,991)	4,093,837	0
STRS	31,669,999	0	(14,777,175)	16,892,824	0
Total Net Pension Liability	39,453,827	0	(18,467,166)	20,986,661	0
Net OPEB Liability - SERS	2,648,551	0	(477,052)	2,171,499	0
Financed Purchases Payable from Direct Borrowings	1,799	8,900	(1,914)	8,785	1,436
Leases Payable	4,948	128,199	(25,096)	108,051	24,802
Compensated Absences	1,535,100	412,691	(278,440)	1,669,351	226,493
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$43,954,225</u>	<u>\$549,790</u>	<u>(\$19,289,668)</u>	<u>\$25,214,347</u>	<u>\$293,731</u>

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

On June 1, 2018, the School District issued \$420,000 in general obligation bonds through direct placement for the purpose of paying costs of acquiring and installing boilers at the high school complex. The bonds were issued for a 10 year period with final maturity at June 1, 2028. Interest payments of 3.61 percent per annum are due on June 1 and December 1 of each year, until the principal amount is paid. The bonds are being retired through the permanent improvement fund.

Optional Redemption The bonds are subject to optional redemption prior to maturity at any time from June 1, 2018, through May 31, 2026, inclusive, at a redemption price equal to 101 percent of the principal amount redeemed, and from June 1, 2026, through June 1, 2028, inclusive, at 100 percent of the principal amount redeemed, in all cases including interest accrued to the redemption date as provided in and in accordance with the bond resolution.

There is no repayment schedule for the net pension liability and the net OPEB liability; however, employer pension and OPEB contributions are made from the general fund and the food service, juvenile attention, summer school, athletics, auxiliary services, preschool, student wellness and success, elementary and secondary school emergency relief, title VI-B, title III, title I, and preschool grants special revenue funds. For additional information related to the net pension liability and the net OPEB liability, see Notes 13 and 14. Leases payable will be paid from the general fund. Compensated absences will be paid from the general fund and the food service, juvenile attention, and auxiliary services special revenue funds.

During fiscal year 2017, the School District entered into a financed purchase agreement through direct borrowings for copiers in the amount of \$7,455, to be paid from the summer school special revenue fund. During fiscal year 2022, the School District entered into a financed purchase agreement through direct borrowings for copiers in the amount of \$8,900, to be paid from the summer school special revenue fund.

The School District's overall legal debt margin was \$47,475,615 with an unvoted debt margin of \$530,507 at June 30, 2022. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2022, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds from Direct Placement		Financed Purchases from Direct Borrowings	
	Principal	Interest	Principal	Interest
	2023	\$41,000	\$9,386	\$1,436
2024	42,000	7,888	1,552	521
2025	44,000	6,354	1,678	395
2026	46,000	4,747	1,815	258
2027	48,000	3,069	1,962	111
2028	49,000	1,336	342	3
Total	<u>\$270,000</u>	<u>\$32,780</u>	<u>\$8,785</u>	<u>\$1,925</u>

The School District has an outstanding agreement to lease copiers. Due to the implementation of GASB Statement 87, this lease plus an existing prior year capital lease have met the criteria of leases thus requiring them to be recorded by the School District. The future lease payments were discounted based on the interest rate implicit in the lease or using the School District's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining lease is as follows:

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*Notes to the Basic Financial Statements
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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$24,802	\$2,693
2024	25,502	1,993
2025	26,220	1,275
2026	26,960	535
2027	4,567	16
Total	<u>\$108,051</u>	<u>\$6,512</u>

Note 16 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Administrative contracts designate the maximum number of vacation days that may be carried over from one contract year to the next. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified staff and classified staff. Upon retirement, payment is made for one-fourth of the accrued, unused sick leave credit, up to a maximum of 65 days for certified employees and classified employees. Certified and classified employees can receive an additional 10 days and 5 days, respectively, of paid severance for early notice by submitting a letter of resignation prior to a specified date based on employee classification.

Vision and Life Insurance Benefits

The School District provides dental insurance, vision insurance, and life insurance and accidental death and dismemberment insurance to most employees. Dental insurance is provided through Delta Dental, vision insurance is provided through Vision Service Plan, and life insurance is provided through the American United Life Insurance.

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, 2022, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 17 – Set-Asides

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

New Philadelphia City School District

*Notes to the Basic Financial Statements
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The following cash basis information describes the change in the fiscal year end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2021	\$0
Current Year Set-Aside Requirement	509,379
Current Year Offsets	(478,305)
Qualifying Disbursements	(363,021)
Totals	<u>(\$331,947)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-Aside Balance as of June 30, 2022	<u>\$0</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero, this amount may not be used to reduce the set-aside requirement of future years. The negative balance is therefore not presented as being carried forward to future years.

Note 18 – Jointly Governed Organizations

Ohio Mid-Eastern Regional Education Service Agency

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an education management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas counties. OME-RESA operates under the direction of a board of directors composed of one representative for each of the participating counties as well as an at-large member from the JVS and the Fiscal Advisory Committee. The superintendent or treasurer of the appointed fiscal agent is a standing member of the Board. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District’s continued participation and no equity interest exists. OME-RESA has no outstanding debt. During fiscal year 2022, the School District paid \$145,208 to OME-RESA for various services. To obtain financial information, write to the Ohio Mid-Eastern Regional Education Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952.

Buckeye Joint Vocational School District

The Buckeye Joint Vocational School District, which provides vocational education programs, is a distinct subdivision of the State of Ohio operated under a Board consisting of one representative from each of the eleven participating school districts’ elected boards, which possessed its own budgeting and taxing authority. During fiscal year 2022, the School District paid \$1,274 to Buckeye Joint Vocational School District for various items. To obtain financial information, write to Buckeye Joint Vocational School District, 545 University Drive NE, New Philadelphia, Ohio 44663.

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Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 55 members, consisting of 3 members appointed by the County Commissioners, 22 members appointed by municipal corporations, 18 members appointed by township trustees, 1 member from the County Auditor's office, and 11 members appointed by boards of education located within the County. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2022, the School District made no payments to the TCTIRC.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization including numerous school districts in Ohio. The Coalition is operated by a Board which is composed of no more than nineteen members, not including ex-officio members. The board members are composed of the Dean of the College of Education and two additional members from Ohio University appointed by the Dean, one elected member from each of the eight multi-county regions, and eight additional members appointed by each of the elected members, one from each multi-county region. Elected and appointed members, other than those representing Ohio University, must be active school superintendents from a member school district. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2022.

Note 19 – Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program

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

Portage Area School Consortium

The Portage Area School Consortium (the Consortium) is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County, Ohio area. The Consortium is a stand-alone entity, composed of two stand-alone pools, the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These pools were established by the Consortium on August 5, 1988, to provide property and casualty risk management services and risk sharing to its members. The pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to Federal tax filing requirements.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

The Ohio Revised Code Section 167.04 requires the Consortium to adopt bylaws designating the officers of the Consortium and their method of selection, creating a governing body to act for the Consortium, appointing a fiscal officer, and providing for the conduct of the Consortium's business. The Assembly is the legislative and managerial body of the Consortium. The Assembly is composed of representation of the member schools. The member school's governing body appoints one representative to the Consortium (usually the superintendent or designee). In the case of a member that is a school district, that representative shall be an executive appointed by the board of education. The Assembly serves without compensation.

Note 20 – Contingent Liabilities

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2022, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2022 are finalized, and a receivable has been recorded on the financial statements.

Litigation

The School District is not party to any material legal proceedings.

Note 21 – Significant Commitments

Contractual Commitments

The School District had the following contractual commitments outstanding at June 30, 2022:

Project	Contract Amount	Amount Paid	Remaining on Contract
Boilers	\$1,346,551	\$850,000	\$496,551
High School Roof	918,089	620,134	297,955
High School Boiler Project	2,309,113	250,000	2,059,113
South Roof	368,101	280,957	87,144
Technology Switches	158,015	0	158,015
Track Project	278,245	79,288	198,957
Total	<u>\$5,378,114</u>	<u>\$2,080,379</u>	<u>\$3,297,735</u>

The remaining commitment amounts were encumbered at fiscal year end. Accounts payable of \$83,785 and contracts payable of \$163,588 have been capitalized.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to ensure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$542,049
Other Governmental Funds	<u>3,606,297</u>
Total	<u><u>\$4,148,346</u></u>

Note 22 – Related Party Transactions

Quaker Digital Academy

In fiscal year 2022, the Quaker Digital Academy paid the School District \$503,536 for services provided by the School District to the Academy, as well as insurance premiums paid by the School District for the Academy.

Quaker Preparatory Academy

In fiscal year 2022, the Quaker Preparatory Academy paid the School District \$153,639 for services provided by the School District to the Academy, as well as insurance premiums paid by the School District for the Academy.

Note 23 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021, while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The School District’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District’s future operating costs, revenues, and additional recovery from funding, either Federal or State, cannot be estimated.

Note 24 – Quaker Digital Academy

The Quaker Digital Academy (the Academy) has been determined to be a discrete component unit, as the School District is able to impose its will on the Academy, and due to the Academy’s relationship with the School District, it would be misleading to exclude the Academy. Therefore, it has been included as part of the School District’s basic financial statements. The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Quaker Digital Academy, 248 Front Avenue SW, New Philadelphia, Ohio 44663.

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Basis of Presentation

The Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities and deferred inflows are included on the statement of net position. The Academy uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through either external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes includes special education, educational improvements, school safety, school wellness, and unclaimed monies.

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

Compensated Absences

The Academy reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Academy has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Academy's termination policy.

Pensions/Other Postemployment Benefits (OPEB)

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

Changes in Accounting Principles and Restatement of Net Position

For fiscal year 2022, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*.

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Academy's 2022 financial statements. The Academy recognized \$699,250 in leases payable at July 1, 2021, which was offset by the intangible asset, right to use lease – buildings.

The Academy is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92, *Omnibus 2020*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These changes were incorporated in the Academy's 2022 financial statements; however, there was no effect on beginning net position.

For fiscal year 2022, the Academy modified its approach related to the eligibility requirements of certain Academy grants, resulting in a restatement to net position at July 1, 2021. The Academy also modified its capitalization threshold for capital assets, resulting in a restatement to net position at July 1, 2021. These modifications had the following effect on net position as reported July 1, 2021:

New Philadelphia City School District

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Net Position at July 1, 2021	(\$1,533,194)
Adjustments:	
Intergovernmental Receivable	(103,235)
Unearned Revenue	(3,718)
Depreciable Capital Assets, Net	(161,855)
Restated Net Position at July 1, 2021	<u>(\$1,802,002)</u>

Deposits and Investments

At fiscal year end, the carrying amount of the Academy's deposits was (\$9,702) and the bank balance was \$379. The deficit carrying balance is covered by the Academy's investment in a repurchase agreement. Protection of the Academy's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

As of June 30, 2022, the Academy had \$4,069,242 invested in a repurchase agreement, which was measured at cost and had a daily maturity.

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. The Academy's investment policy addresses interest rate risk by requiring the Academy's investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. Repurchase agreements shall not exceed 30 days.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty. The Academy has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk The Academy has no investment policy dealing with investment credit risk beyond the requirement of State statute.

Concentration of Credit Risk The Academy places no limit on the amount it may invest in any one issuer.

Related Party Transactions

In fiscal year 2022, the Academy paid the School District \$503,536 for services provided by the School District to the Academy, as well as insurance premiums paid by the School District for the Academy.

Capital Assets

All capital assets (except for intangible right to use lease assets, which are discussed subsequently) are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of five thousand dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

Description	Estimated Lives
Furniture and Equipment	5-20 years
Vehicles	10 years

The Academy is reporting intangible right to use assets related to leased buildings and equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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

	Restated Balance 6/30/21	Additions	Reductions	Balance 6/30/22
Depreciable Capital Assets:				
Furniture and Equipment	\$72,820	\$0	\$0	\$72,820
Vehicles	69,448	0	0	69,448
Intangible Right to Use Lease - Buildings**	699,250	0	0	699,250
Intangible Right to Use Lease - Equipment**	0	7,814	0	7,814
Total Depreciable Capital Assets	841,518	7,814	0	849,332
Accumulated Depreciation/Amortization:				
Furniture and Equipment	(65,493)	(1,690)	0	(67,183)
Vehicles	(48,748)	(4,505)	0	(53,253)
Intangible Right to Use Lease - Buildings**	0	(97,292)	0	(97,292)
Total Accumulated Depreciation/Amortization	(114,241)	(103,487)	0	(217,728)
Total Capital Assets, Net	\$727,277	(\$95,673)	\$0	\$631,604

**Of the current year depreciation/amortization total of \$103,487, \$97,292 is presented as depreciation/amortization expense on the statement of activities related to the Academy's intangible assets of office space, which are included as intangible right to use leases. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

Defined Benefit Pension Plans

The Academy's contractually required contribution to SERS was \$74,783 for fiscal year 2022. Of this amount \$2,375 is reported as an intergovernmental payable. The Academy's contractually required contribution to STRS was \$207,328 for fiscal year 2022. Of this amount \$6,679 is reported as an intergovernmental payable.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01687720%	0.01195171%	
Prior Measurement Date	<u>0.01652430%</u>	<u>0.01338975%</u>	
Change in Proportionate Share	<u>0.00035290%</u>	<u>-0.00143804%</u>	
Proportionate Share of the Net Pension Liability	\$622,720	\$1,528,133	\$2,150,853
Pension Expense	\$3,296	(\$9,864)	(\$6,568)

At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$60	\$47,212	\$47,272
Changes of assumptions	13,113	423,932	437,045
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	19,031	35,728	54,759
Academy contributions subsequent to the measurement date	<u>74,783</u>	<u>207,328</u>	<u>282,111</u>
Total Deferred Outflows of Resources	<u>\$106,987</u>	<u>\$714,200</u>	<u>\$821,187</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$16,150	\$9,578	\$25,728
Net difference between projected and actual earnings on pension plan investments	320,719	1,316,959	1,637,678
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	<u>0</u>	<u>278,899</u>	<u>278,899</u>
Total Deferred Inflows of Resources	<u>\$336,869</u>	<u>\$1,605,436</u>	<u>\$1,942,305</u>

\$282,111 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$64,941)	(\$269,895)	(\$334,836)
2024	(65,027)	(233,888)	(298,915)
2025	(76,255)	(267,421)	(343,676)
2026	<u>(98,442)</u>	<u>(327,360)</u>	<u>(425,802)</u>
Total	<u>(\$304,665)</u>	<u>(\$1,098,564)</u>	<u>(\$1,403,229)</u>

Sensitivity of the Academy'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 Academy's proportionate share of the net pension liability calculated using

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Academy's proportionate share of the net pension liability	\$1,036,053	\$622,720	\$274,138

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

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Academy's proportionate share of the net pension liability	\$2,861,622	\$1,528,133	\$401,338

Defined Benefit OPEB Plans

For fiscal year 2022, the Academy's surcharge obligation was \$3,081. 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 Academy's contractually required contribution to SERS was \$3,081 for fiscal year 2022, which is reported as an intergovernmental payable. For fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to postemployment health care.

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability (asset) was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.01673530%	0.01195171%	
Prior Measurement Date	<u>0.01656470%</u>	<u>0.01338975%</u>	
Change in Proportionate Share	<u>0.00017060%</u>	<u>-0.00143804%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$316,729	\$0	\$316,729
Net OPEB (Asset)	\$0	(\$251,992)	(\$251,992)
OPEB Expense	\$4,762	(\$10,679)	(\$5,917)

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$3,376	\$8,973	\$12,349
Changes of assumptions	49,687	16,096	65,783
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	20,046	16,014	36,060
Academy contributions subsequent to the measurement date	3,081	0	3,081
Total Deferred Outflows of Resources	\$76,190	\$41,083	\$117,273
Deferred Inflows of Resources			
Differences between expected and actual experience	\$157,745	\$46,169	\$203,914
Changes of assumptions	43,373	150,332	193,705
Net difference between projected and actual earnings on OPEB plan investments	6,881	69,848	76,729
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	150	1,770	1,920
Total Deferred Inflows of Resources	\$208,149	\$268,119	\$476,268

\$3,081 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2023	(\$27,547)	(\$61,907)	(\$89,454)
2024	(27,595)	(60,160)	(87,755)
2025	(31,386)	(66,081)	(97,467)
2026	(29,100)	(28,939)	(58,039)
2027	(14,925)	(10,056)	(24,981)
Thereafter	(4,487)	107	(4,380)
Total	(\$135,040)	(\$227,036)	(\$362,076)

Sensitivity of the Academy'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 Academy's proportionate share of the net OPEB liability for SERS and what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what the

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Academy's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate.

	1% Decrease <u>(1.27%)</u>	Current Discount Rate <u>(2.27%)</u>	1% Increase <u>(3.27%)</u>
Academy's proportionate share of the net OPEB liability	\$392,466	\$316,729	\$256,225

	1% Decrease <u>(5.75% decreasing to 3.40%)</u>	Current Trend Rate <u>(6.75% decreasing to 4.40%)</u>	1% Increase <u>(7.75% decreasing to 5.40%)</u>
Academy's proportionate share of the net OPEB liability	\$243,856	\$316,729	\$414,066

Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rates The following table represents the Academy's proportionate share of the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the Academy's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the Academy's proportionate share of 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 <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Academy's proportionate share of the net OPEB asset	(\$212,642)	(\$251,992)	(\$284,863)

	1% Decrease <u>(5.75% decreasing to 3.40%)</u>	Current Trend Rate <u>(6.75% decreasing to 4.40%)</u>	1% Increase <u>(7.75% decreasing to 5.40%)</u>
Academy's proportionate share of the net OPEB asset	(\$283,531)	(\$251,992)	(\$212,991)

Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements.

The changes in the Academy's long-term obligations during fiscal year 2022 were as follows:

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	Restated Amount Outstanding 06/30/21	Additions	Reductions	Amount Outstanding 06/30/22	Amount Due in One Year
Intergovernmental Payable:					
Fiscal Year 2016 FTE Agreement	\$1,327,900	\$0	(\$331,975)	\$995,925	\$331,975
Leases Payable	699,250	7,814	(93,160)	613,904	95,813
Compensated Absences	123,566	124,487	(112,988)	135,065	127,098
Net Pension Liability:					
SERS	1,092,952	0	(470,232)	622,720	0
STRS	3,239,843	0	(1,711,710)	1,528,133	0
Total Net Pension Liability	4,332,795	0	(2,181,942)	2,150,853	0
Net OPEB Liability - SERS	360,005	0	(43,276)	316,729	0
<i>Total Long-Term Liabilities</i>	<u>\$6,843,516</u>	<u>\$132,301</u>	<u>(\$2,763,341)</u>	<u>\$4,212,476</u>	<u>\$554,886</u>

On February 20, 2019, the Academy and the State Board of Education reached an agreement to settle the Academy's appeal of the Ohio Department of Education's FTE review determination for fiscal year 2016. The agreement resulted in the Academy owing \$1,991,850 to the State Board of Education, which is being repaid through equal monthly Foundation deductions in fiscal years 2020 through 2025.

The Academy has outstanding agreements to lease office space and a postage meter. Due to the implementation of GASB Statement 87, these leases have met the criteria of leases thus requiring them to be recorded by the Academy. The future lease payments were discounted based on the interest rate implicit in the lease or using the Academy's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Fiscal Year	Principal	Interest
2023	\$95,813	\$4,800
2024	78,992	3,471
2025	72,400	2,600
2026	66,776	2,085
2027	67,224	1,637
2028-2031	232,699	2,440
	<u>\$613,904</u>	<u>\$17,033</u>

During the previous fiscal year, one of the Academy's lease agreements was amended for free rent in lieu of tenant allowance. In accordance with the agreement, the Academy replaced four of the heating, ventilation, and air conditioning (HVAC) units serving the leased premises. The HVAC units are property of the landlord, and the Academy was given free rent in lieu of tenant allowance for their costs of \$44,698. Credits of \$10,865 were applied to fiscal year 2021 rental payments, and the remaining credit balance of \$33,833 was applied to fiscal year 2022 rental payments. The credit balance at June 30, 2021, was recorded as a prepaid, and the fiscal year 2022 credit amounts have been included with the amount paid for leases in fiscal year 2022 as presented in the table summarizing changes in long-term obligations.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Relationship with Quaker Preparatory Academy

The Quaker Digital Academy and the Quaker Preparatory Academy Board of Directors are composed of the same individuals and share the same Sponsor, New Philadelphia City School District. Quaker Preparatory Academy utilizes office space in a building in which rent and related utilities are paid exclusively by Quaker Digital Academy. Additionally, employees paid exclusively by Quaker Digital Academy are also utilized by Quaker Preparatory Academy. The amount of these shared services paid by Quaker Digital Academy and benefiting Quaker Preparatory Academy totaled approximately \$97,128 for fiscal year 2022. Additionally, Quaker Digital Academy benefited approximately \$8,619 from Quaker Preparatory Academy for fiscal year 2022.

Note 25 – Quaker Preparatory Academy

The Quaker Preparatory Academy (the Academy) has been determined to be a discrete component unit, as the School District is able to impose its will on the Academy, and due to the Academy's relationship with the School District, it would be misleading to exclude the Academy. Therefore, it has been included as part of the School District's basic financial statements. The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Quaker Preparatory Academy, 248 Front Avenue SW, New Philadelphia, Ohio 44663.

Basis of Presentation

The Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities and deferred inflows are included on the statement of net position. The Academy uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

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

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through either external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes includes student wellness and success.

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

Compensated Absences

The Academy reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Academy has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Academy's termination policy.

Changes in Accounting Principles and Restatement of Net Position

For fiscal year 2022, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*.

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Academy's 2022 financial statements. The Academy recognized \$43,983 in leases payable at July 1, 2021, which was offset by the intangible asset, right to use lease – buildings.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

The Academy is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92, *Omnibus 2020*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These changes were incorporated in the Academy's 2022 financial statements; however, there was no effect on beginning net position.

For fiscal year 2022, the Academy modified its approach related to the eligibility requirements of certain Academy grants, resulting in a restatement to net position at June 30, 2021. The Academy also modified its capitalization threshold for capital assets, resulting in a restatement to net position at June 30, 2021. These modifications had the following effect on net position as reported June 30, 2021:

Net Position at June 30, 2021	\$285,527
Adjustments:	
Intergovernmental Receivable	(63,452)
Unearned Revenue	(9)
Depreciable Capital Assets, Net	(8,812)
Restated Net Position at June 30, 2021	<u>\$213,254</u>

Pensions/Other Postemployment Benefits (OPEB)

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

Deposits and Investments

At fiscal year end, the carrying amount of the Academy's deposits was \$1,370 and the bank balance was \$1,530. Protection of the Academy's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

As of June 30, 2022, the Academy had \$650,259 invested in a repurchase agreement, which was measured at cost and had a daily maturity.

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. The Academy's investment policy addresses interest rate risk by requiring the Academy's investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. Repurchase agreements shall not exceed 30 days.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty. The Academy has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Credit Risk The Academy has no investment policy dealing with investment credit risk beyond the requirement of State statute.

Concentration of Credit Risk The Academy places no limit on the amount it may invest in any one issuer.

Related Party Transactions

In fiscal year 2022, the Academy paid the School District \$153,639 for services provided by the School District to the Academy, as well as insurance premiums paid by the School District for the Academy.

Capital Assets

All capital assets (except for intangible right to use lease assets, which are discussed subsequently) are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of five thousand dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Furniture and Equipment	5-20 years

The Academy is reporting an intangible right to use asset related to leased building space. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the intangible asset is being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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

	Restated Balance 6/30/21	Additions	Reductions	Balance 6/30/22
Capital Assets being depreciated:				
Furniture and Equipment	\$6,517	\$0	\$0	\$6,517
Intangible Right to Use Lease - Buildings**	43,983	0	0	43,983
Total Capital Assets being depreciated	<u>50,500</u>	<u>0</u>	<u>0</u>	<u>50,500</u>
Accumulated Depreciation/Amortization:				
Furniture and Equipment	0	(652)	0	(652)
Intangible Right to Use Lease - Buildings**	0	(10,996)	0	(10,996)
Total Accumulated Depreciation/Amortization	<u>0</u>	<u>(11,648)</u>	<u>0</u>	<u>(11,648)</u>
Total Capital Assets, net	<u>\$50,500</u>	<u>(\$11,648)</u>	<u>\$0</u>	<u>\$38,852</u>

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

** Of the current year depreciation total of \$11,648, \$10,996 is presented as depreciation expense on the statement of activities related to the Academy's intangible asset of building space, which is included as an intangible right to use lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

Defined Benefit Pension Plans

The Academy's contractually required contribution to SERS was \$13,852 for fiscal year 2022. Of this amount \$304 is reported as an intergovernmental payable. The Academy's contractually required contribution to STRS was \$48,839 for fiscal year 2022. Of this amount \$4,713 is reported as an intergovernmental payable.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00123660%	0.00126863%	
Prior Measurement Date	<u>0.00121760%</u>	<u>0.00129709%</u>	
Change in Proportionate Share	<u>0.00001900%</u>	<u>-0.00002846%</u>	
Proportionate Share of the Net Pension Liability	\$45,627	\$162,205	\$207,832
Pension Expense	\$24,877	\$46,894	\$71,771

At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$4	\$5,011	\$5,015
Changes of assumptions	961	44,999	45,960
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	15,860	146,055	161,915
Academy contributions subsequent to the measurement date	<u>13,852</u>	<u>48,839</u>	<u>62,691</u>
Total Deferred Outflows of Resources	<u>\$30,677</u>	<u>\$244,904</u>	<u>\$275,581</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$1,183	\$1,017	\$2,200
Net difference between projected and actual earnings on pension plan investments	23,499	139,790	163,289
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	<u>0</u>	<u>3,355</u>	<u>3,355</u>
Total Deferred Inflows of Resources	<u>\$24,682</u>	<u>\$144,162</u>	<u>\$168,844</u>

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

\$62,691 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	\$9,763	\$24,959	\$34,722
2024	(4,820)	28,578	23,758
2025	(5,587)	26,915	21,328
2026	<u>(7,213)</u>	<u>(28,549)</u>	<u>(35,762)</u>
Total	<u>(\$7,857)</u>	<u>\$51,903</u>	<u>\$44,046</u>

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Academy's proportionate share of the net pension liability	\$75,912	\$45,627	\$20,086

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Academy's proportionate share of the net pension liability	\$303,750	\$162,205	\$42,600

Defined Benefit OPEB Plans

For fiscal year 2022, the Academy’s surcharge obligation was \$697. 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 Academy’s contractually required contribution to SERS was \$697 for fiscal year 2022, which is reported as an intergovernmental payable. For fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to postemployment health care.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability (asset) was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.00111940%	0.00126863%	
Prior Measurement Date	<u>0.00111240%</u>	<u>0.00129709%</u>	
Change in Proportionate Share	<u>0.00000700%</u>	<u>-0.00002846%</u>	
 Proportionate Share of the:			
Net OPEB Liability	\$21,186	\$0	\$21,186
Net OPEB (Asset)	\$0	(\$26,747)	(\$26,747)
OPEB Expense	\$4,669	(\$1,581)	\$3,088

At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$226	\$952	\$1,178
Changes of assumptions	3,324	1,709	5,033
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	22,342	1,509	23,851
Academy contributions subsequent to the measurement date	<u>697</u>	<u>0</u>	<u>697</u>
Total Deferred Outflows of Resources	<u>\$26,589</u>	<u>\$4,170</u>	<u>\$30,759</u>
 Deferred Inflows of Resources			
Differences between expected and actual experience	\$10,551	\$4,901	\$15,452
Changes of assumptions	2,901	15,957	18,858
Net difference between projected and actual earnings on OPEB plan investments	460	7,414	7,874
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	<u>525</u>	<u>15</u>	<u>540</u>
Total Deferred Inflows of Resources	<u>\$14,437</u>	<u>\$28,287</u>	<u>\$42,724</u>

\$697 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	\$2,502	(\$7,019)	(\$4,517)
2024	2,498	(6,834)	(4,336)
2025	2,525	(6,719)	(4,194)
2026	2,898	(2,811)	87
2027	1,385	(754)	631
Thereafter	(353)	20	(333)
Total	<u>\$11,455</u>	<u>(\$24,117)</u>	<u>(\$12,662)</u>

Sensitivity of the Academy'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 Academy's proportionate share of the net OPEB liability for SERS and what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what the Academy's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
Academy's proportionate share of the net OPEB liability	\$26,251	\$21,186	\$17,139

	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
Academy's proportionate share of the net OPEB liability	\$16,311	\$21,186	\$27,696

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Academy's proportionate share of the net OPEB asset	(\$22,571)	(\$26,747)	(\$30,237)

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB asset	(\$30,096)	(\$26,747)	(\$22,608)

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements.

The changes in the Academy’s long-term obligations during fiscal year 2022 were as follows:

	Restated Amount Outstanding 06/30/21	Additions	Reductions	Amount Outstanding 06/30/22	Amount Due in One Year
Lease Payable	\$43,983	\$0	(\$10,421)	\$33,562	\$10,795
Compensated Absences	4,111	6,259	(3,738)	6,632	5,981
Net Pension Liability:					
SERS	80,535	0	(34,908)	45,627	0
STRS	313,850	0	(151,645)	162,205	0
Total Net Pension Liability	394,385	0	(186,553)	207,832	0
Net OPEB Liability - SERS	24,176	0	(2,990)	21,186	0
<i>Total Long-Term Liabilities</i>	<u>\$466,655</u>	<u>\$6,259</u>	<u>(\$203,702)</u>	<u>\$269,212</u>	<u>\$16,776</u>

The Academy has an outstanding agreement with their Sponsor, New Philadelphia City School District, to lease space in the administrative building. Due to the implementation of GASB Statement 87, this lease has met the criteria of a lease thus requiring it to be recorded by the Academy. The future lease payments were discounted based on the interest rate implicit in the lease or using the Academy’s incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining lease is as follows:

Fiscal Year	Principal	Interest
2023	\$10,795	\$1,205
2024	11,183	817
2025	11,584	416
	<u>\$33,562</u>	<u>\$2,438</u>

Relationship with Quaker Digital Academy

The Quaker Digital Academy and the Quaker Preparatory Academy Board of Directors are composed of the same individuals and share the same Sponsor, New Philadelphia City School District. Quaker Preparatory Academy utilizes office space in a building in which rent and related utilities are paid exclusively by Quaker Digital Academy. Additionally, employees paid exclusively by Quaker Digital Academy are also utilized by Quaker Preparatory Academy. The amount of these shared services paid by Quaker Digital Academy and benefiting Quaker Preparatory Academy totaled approximately \$97,128 for fiscal year 2022. Additionally, Quaker Digital Academy benefited approximately \$8,619 from Quaker Preparatory Academy for fiscal year 2022 through a shared employee.

Required Supplementary Information

New Philadelphia City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Nine Fiscal Years (1) **

	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.11095280%	0.11768340%	0.11648830%
School District's Proportionate Share of the Net Pension Liability	\$4,093,837	\$7,783,828	\$6,969,699
School District's Covered Payroll	\$4,054,143	\$3,998,286	\$4,115,630
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	100.98%	194.68%	169.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.12011700%	0.11034270%	0.11057230%	0.10761540%	0.10779300%	0.10779300%
\$6,879,323	\$6,592,733	\$8,092,872	\$6,140,639	\$5,455,342	\$6,410,103
\$3,970,489	\$3,637,186	\$3,439,007	\$3,353,579	\$3,132,244	\$4,781,676
173.26%	181.26%	235.33%	183.11%	174.17%	134.06%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

New Philadelphia City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
*Last Six Fiscal Years (1) **

	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.11473740%	0.12186620%	0.11969640%
School District's Proportionate Share of the Net OPEB Liability	\$2,171,499	\$2,648,551	\$3,010,113
School District's Covered Payroll	\$4,054,143	\$3,998,286	\$4,115,630
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	53.56%	66.24%	73.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.12169030%	0.11174770%	0.11166320%
\$3,376,018	\$2,999,015	\$3,182,814
\$3,970,489	\$3,637,186	\$3,439,007
85.03%	82.45%	92.55%
13.57%	12.46%	11.49%

New Philadelphia City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Nine Fiscal Years (1) **

	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.13212074%	0.13088701%	0.12978737%
School District's Proportionate Share of the Net Pension Liability	\$16,892,824	\$31,669,999	\$28,701,697
School District's Covered Payroll	\$16,351,671	\$15,912,071	\$15,287,257
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	103.31%	199.03%	187.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.13004458%	0.12633603%	0.12679097%	0.12198757%	0.12320180%	0.12320180%
\$28,593,883	\$30,011,395	\$42,440,760	\$33,713,796	\$29,966,941	\$35,696,425
\$14,878,821	\$13,966,664	\$13,455,886	\$13,338,414	\$12,561,894	\$14,026,523
192.18%	214.88%	315.41%	252.76%	238.55%	254.49%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

New Philadelphia City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Asset/Liability
State Teachers Retirement System of Ohio
*Last Six Fiscal Years (1) **

	2022	2021	2020
School District's Proportion of the Net OPEB Asset/Liability	0.13212074%	0.13088701%	0.12978737%
School District's Proportionate Share of the:			
Net OPEB Asset	\$2,785,657	\$2,300,337	\$2,149,590
Net OPEB Liability	0	0	0
School District's Covered Payroll	\$16,351,671	\$15,912,071	\$15,287,257
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	(17.04%)	(14.46%)	(14.06%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	182.10%	174.70%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.13004458%	0.12633603%	0.12679097%
\$2,089,684 0	\$0 4,929,166	\$0 6,780,814
\$14,878,821	\$13,966,664	\$13,455,886
(14.04%)	35.29%	50.39%
176.00%	47.10%	37.30%

New Philadelphia City School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	\$587,817	\$567,580	\$559,760	\$555,610
Contributions in Relation to the Contractually Required Contribution	(587,817)	(567,580)	(559,760)	(555,610)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,198,693	\$4,054,143	\$3,998,286	\$4,115,630
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$74,655	\$75,234	\$77,090	\$95,131
Contributions in Relation to the Contractually Required Contribution	(74,655)	(75,234)	(77,090)	(95,131)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.78%</u>	<u>1.86%</u>	<u>1.93%</u>	<u>2.31%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.78%</u>	<u>15.86%</u>	<u>15.93%</u>	<u>15.81%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes surcharge

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$536,016	\$509,206	\$481,461	\$442,002	\$434,129	\$661,784
(536,016)	(509,206)	(481,461)	(442,002)	(434,129)	(661,784)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,970,489	\$3,637,186	\$3,439,007	\$3,353,579	\$3,132,244	\$4,781,676
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
\$84,846	\$59,866	\$54,830	\$81,693	\$56,533	\$61,831
(84,846)	(59,866)	(54,830)	(81,693)	(56,533)	(61,831)
\$0	\$0	\$0	\$0	\$0	\$0
2.14%	1.65%	1.59%	2.44%	1.80%	1.29%
15.64%	15.65%	15.59%	15.62%	15.66%	15.13%

New Philadelphia City School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	\$2,328,421	\$2,289,234	\$2,227,690	\$2,140,216
Contributions in Relation to the Contractually Required Contribution	<u>(2,328,421)</u>	<u>(2,289,234)</u>	<u>(2,227,690)</u>	<u>(2,140,216)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$16,631,579	\$16,351,671	\$15,912,071	\$15,287,257
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Asset/Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$2,083,035	\$1,955,333	\$1,883,824	\$1,867,378	\$1,633,046	\$1,823,448
<u>(2,083,035)</u>	<u>(1,955,333)</u>	<u>(1,883,824)</u>	<u>(1,867,378)</u>	<u>(1,633,046)</u>	<u>(1,823,448)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$14,878,821	\$13,966,664	\$13,455,886	\$13,338,414	\$12,561,894	\$14,026,523
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$125,619	\$140,265
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(125,619)</u>	<u>(140,265)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

New Philadelphia City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2022, an assumption of 2.0 percent was used for COLA or Ad Hoc Cola. For fiscal years 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented as follows:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for 2022 use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented as follows:

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

New Philadelphia City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Beginning with fiscal year 2018, 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.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented as follows:

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:	
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

New Philadelphia City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 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.

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

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	10.553	N/A	0	13,490
National School Lunch Program	10.555	N/A	0	81,201
Non-Cash Assistance Subtotal			<u>0</u>	<u>94,691</u>
Cash Assistance:				
School Breakfast Program	10.553	N/A	0	287,000
National School Lunch Program	10.555	N/A	0	899,951
Cash Assistance Subtotal			<u>0</u>	<u>1,186,951</u>
Cash Assistance COVID-19:				
COVID-19 School Breakfast Program	10.553	N/A	0	13,723
COVID-19 National School Lunch Program	10.555	N/A	0	50,758
Cash Assistance COVID-19 Subtotal			<u>0</u>	<u>64,481</u>
Total Child Nutrition Cluster			<u>0</u>	<u>1,346,123</u>
Pandemic EBT Administrative Costs	10.649	N/A	0	3,063
Total U.S. Department of Agriculture			<u>0</u>	<u>1,349,186</u>
Federal Communications Commission				
<i>Direct</i>				
Emergency Connectivity Fund	32.009	N/A	0	107,650
Total Federal Communications Commission			<u>0</u>	<u>107,650</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	S010A200035	0	110,558
	84.010	S010A210035	24,464	629,812
Total Title I Grants to Local Educational Agencies			<u>24,464</u>	<u>740,370</u>
Special Education Cluster (IDEA):				
Special Education - Grants to State (IDEA, Part B)	84.027	H027A200111	0	70,595
Special Education - Grants to State (IDEA, Part B)	84.027	H027A210111	0	632,596
American Rescue Plan IDEA Part B Special Education	84.027X	H027X210111	0	69,888
Total Special Education - Grants to State (IDEA, Part B)			<u>0</u>	<u>773,079</u>
Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A200119	0	1,663
Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A210119	0	38,800
American Rescue Plan IDEA Early Childhood Special Education	84.173X	H173X210119	0	272
Total Special Education - Preschool Grants (IDEA Preschool)			<u>0</u>	<u>40,735</u>
Total Special Education Cluster (IDEA)			<u>0</u>	<u>813,814</u>
English Language Acquisition State Grants	84.365	S365A210035	0	60,946
			<u>0</u>	<u>60,946</u>
Supporting Effective Instruction State Grant	84.367	S367A200034	0	250
	84.367	S367A210034	0	30,902
Total Supporting Effective Instruction State Grant			<u>0</u>	<u>31,152</u>
Student Support and Academic Enrichment Program	84.424A	S424A210036	0	41,105
Education Stabilization Fund				
COVID-19 Elementary and Secondary School Emergency Relief	84.425D	S425D200035	0	1,449
COVID-19 Elementary and Secondary School Emergency Relief	84.425D	S425D210035	0	1,318,274
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief	84.425U	S425U210035	0	1,549,333
Total Education Stabilization Fund			<u>0</u>	<u>2,869,056</u>
Total U.S. Department of Education			<u>24,464</u>	<u>4,556,443</u>
Total Expenditures of Federal Awards			<u>24,464</u>	<u>6,013,279</u>

The accompanying notes are an integral part of this Schedule.

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**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the New Philadelphia City School District (the School District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D – SUBRECIPIENTS

The School District passes certain federal awards received from Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the School District reports expenditures of Federal awards to subrecipients when paid in cash.

As a pass-through entity, the School District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E - CHILD NUTRITION CLUSTER

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

NOTE F – FOOD DONATION PROGRAM

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

NOTE G - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022
(Continued)**

NOTE H - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2022 to 2023 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 160,448
Special Education - Grants to States	84.027	\$ 164,378
Special Education – Preschool Grants (IDEA Preschool)	84.173	\$ 8,297
English Language Acquisition State Grants	84.365	\$ 21,059
Supporting Effective Instruction - Grants to States	84.367	\$ 51,377
Student Support and Academic Enrichment	84.424A	\$ 9,697
Elementary and Secondary School Emergency Fund	84.425D	\$ 737,089
American Rescue Plan Elementary and Secondary School	84.425U	\$ 2,520,945
American Rescue Plan IDEA Part B Special Education	84.027X	\$ 22,613
American Rescue Plan IDEA Early Childhood	84.173X	\$ 10,835



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

New Philadelphia City School District
Tuscarawas County
248 Front Avenue, SW
New Philadelphia, Ohio 44663

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the discretely presented component units, the major fund, and the aggregate remaining fund information of the New Philadelphia City School District, Tuscarawas County (the School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 28, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2023

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

New Philadelphia City School District
Tuscarawas County
248 Front Street, SW
New Philadelphia, Ohio 44663

To the Board of Education:

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited New Philadelphia City School District's, Tuscarawas County, (School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of New Philadelphia City School District's major federal programs for the year ended June 30, 2022. New Philadelphia City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings.

Qualified Opinion on the Education Stabilization Fund Program

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, New Philadelphia City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund Program for the year ended June 30, 2022.

Unmodified Opinion on the Other Major Federal Program

In our opinion, New Philadelphia City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

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

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

Matter Giving Rise to Qualified Opinion on the Education Stabilization Fund Program

As described in Finding 2022-002 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Special Tests and Provisions – Wage Rate Requirements applicable to its AL #84.425D and #84.425U Education Stabilization Fund major federal program.

Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The School District's basic financial statements include the operations of Quaker Digital Academy and Quaker Preparatory Academy, which expended \$684,778 and \$363,192, respectively in federal awards which are not included in the School District's Schedule of Expenditures of Federal Awards during the year ended June 30, 2022. Our compliance audit, described in the "Qualified and Unmodified Opinions," does not include the operations of the Quaker Digital Academy and the Quaker Preparatory Academy because the component units are legally separate from the primary government which this report addresses, and because the Academies each expended less than \$750,000 of Federal awards for the year ended June 30, 2022.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the School District's responses to the noncompliance findings identified in our compliance audit described in the accompanying Corrective Action Plan. The School District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2022-001 and 2022-002 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the School District's responses to the internal control over compliance findings identified in our audit described in the accompanying Corrective Action Plan. The School District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2023

**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion <ul style="list-style-type: none"> • Special Education Cluster (IDEA) AL #84.027, #84.027X, #84.173, #84.173X – Unmodified • Education Stabilization Fund AL #84.425D, #84.425U - Qualified 	
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • Special Education Cluster (IDEA) AL #84.027, #84.027X, #84.173, #84.173X • Education Stabilization Fund AL #84.425D, #84.425U 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

None.

NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

1. Equipment

Finding Number:	2022-001
Assistance Listing Number and Title:	AL #84.027, #84.027X, #84.173, #84.273X Special Education Cluster (IDEA) AL #84.425D, #84.425U Education Stabilization Fund
Federal Award Identification Number / Year:	H027A200111, H027A210111, H027X210111, H173A200119, H173A210119, H173X210119, S425D200035, S425D210035, S425U210035
Federal Agency:	U.S. Department of Education
Compliance Requirement:	Equipment and Real Property Management
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

Noncompliance and Material Weakness

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. § 200.313**. **2 C.F.R. § 200.313(d)(1)** states, in part, that property records must be maintained for equipment and real property purchases using federal funds. The property records should include, but are not limited to, a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), and any ultimate disposition data including the date of disposal and sales price of the property. Additionally, **2 C.F.R. § 200.313(d)(2)** states that a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

During testing over the capital outlay for both Education Stabilization Fund and Special Education Cluster, we found that the School District did not maintain documentation that a physical inventory inspection occurred at least once every two years. Additionally, testing over the District's Special Education Cluster capital outlay listing identified one item totaling \$500, which projects to an error of \$3,867, that could not be located as it was disposed and not properly removed from the listing.

To effectively control equipment and to maintain accountability over expenditures, the School District should review its policy and ensure all equipment is properly identified and recorded on their capital outlay listing. Additionally, the School District should ensure that a physical inventory is performed at least once every two years and that adequate documentation is maintained to support that an inspection was performed.

Officials' Response: See Corrective Action Plan

NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

2. Special Tests and Provisions – Wage Rate Requirements

Finding Number:	2022-002
Assistance Listing Number and Title:	AL #84.425D, #84.425U Education Stabilization Fund
Federal Award Identification Number / Year:	S425D200035, S425D210035, S425U210035
Federal Agency:	U.S. Department of Education
Compliance Requirement:	Special Tests and Provisions – Wage Rate Requirements
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

Noncompliance and Material Weakness

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **Appendix II to 2 C.F.R. § 200** which states that, in addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable:

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 C.F.R. Part 5, “Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction”). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency.

29 C.F.R. § 5.5(a)(3)(ii)(A) provides, in part, that the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. **29 C.F.R. § 5.5(a)(3)(ii)(B)** requires each payroll submitted be accompanied by a “Statement of Compliance,” signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract.

29 C.F.R. § 5.6 states that furthermore, no payment, advance, grant, loan, or guarantee of funds shall be approved by the Federal agency after the beginning of construction unless there is on file with the agency a certification by the contractor that the contractor and its subcontractors have complied with the provisions of § 5.5 or unless there is on file with the agency a certification by the contractor that there is a substantial dispute with respect to the required provisions.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2022-002 (Continued)

2. Special Tests and Provisions – Wage Rate Requirements (Continued)

The School District had two construction projects (boiler and HVAC unit project and high school roof repair project) paid with Elementary and Secondary School Emergency Relief Funds. The following items were noted in regards to prevailing wages with these projects:

- Although the agreement for the high school roof repair project between the contractor and the School District contained Davis Bacon language, there is no documentation to show that the subcontractor on the project was notified of the requirement to pay prevailing wages.
- The School District did not receive any weekly payroll certifications related to the high school roof repair project even though the project started in April 2022.
- Even though the School District received the weekly payroll certifications reports related to the boiler and HVAC unit project, there is no evidence that the School District reviewed the reports to ensure that prevailing wages were properly paid.

The School District should implement procedures to ensure that all weekly payroll certification reports are received from the contractors and subcontractors. The School District should also review these reports to ensure that prevailing wages are properly paid. Additionally, the School District should ensure that all contractors and subcontractors are notified that prevailing wages must be paid as required by this compliance requirement.

Officials' Response: See Corrective Action Plan



New Philadelphia City Schools

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SUPERINTENDENT
Amy Wentworth

ASSISTANT SUPERINTENDENT
Jeffery Williams

TREASURER
Julie A. Erwin, CPA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	Noncompliance and Material Weakness	Corrected	N/A

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

Finding Number: 2022-001
Planned Corrective Action: Equipment and Real Property
Anticipated Completion Date: 07/01/2022
Responsible Contact Person: Julie Erwin, Treasurer

Corrective Action Plan

The documentation was not maintained from the physical inventory that was performed by the staff members during the 2022 school year. The issue was addressed with all staff members in the office. All documentation will be maintained after 07/01/2022.

Also, one item was not located by tag number. The item was found, however, the tag number was missing so the auditors could not determine it was the exact item. The item was very old and was used in the Special Education Department for students with disabilities. The District will remind staff to notify the fiscal office when an item is moved or disposed.

Finding Number: 2022-002
Planned Corrective Action: Davis Bacon Act
Anticipated Completion Date: 11/30/2023
Responsible Contact Person: Julie Erwin, Treasurer

Corrective Action Plan

The projects that are completed using ESSER funding are subject to the Davis Bacon Act. The District notified the contractors of the requirement and all projects were completed using the Davis Bacon Act. The District did not require the contractor to notify the subcontractors in writing of the requirement. Also, the District did not include the verbiage on the Purchase Orders that were issued to the contractors. All projects subject to the Davis Bacon Act will have the notation on the corresponding Purchase Orders. Also, the District began to check all prevailing wage rates as soon as it was brought to the Treasurer's attention.

OHIO AUDITOR OF STATE KEITH FABER



NEW PHILADELPHIA CITY SCHOOL DISTRICT

TUSCARAWAS 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 9/12/2023

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

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