



OHIO AUDITOR OF STATE
KEITH FABER



**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

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TRUMBULL COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Newton Falls Exempted Village School District
Trumbull County
909 ½ Milton Blvd.
Newton Falls, Ohio 44444

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Newton Falls Exempted Village School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position 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.

Emphasis of Matter

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis 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 and is not a required part of the financial statements.

The schedules are management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 18, 2022

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Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited*

As management of the Newton Falls Exempted Village School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- The School District's enrollment decreased from fiscal year 2020.
- Net position increased in fiscal year 2021 due primarily to the reduction of net OPEB liability, the decrease in deferred inflows of resources for pension and increases in cash and cash equivalents from cost cutting measures offset in part by reductions in net capital assets.
- Current liabilities increased during fiscal year 2021 due primarily to increases in intergovernmental payables attributable in part to a true up payment made to the Trumbull County Educational Service Center and a significant increase in matured compensated absences payable from pending severance payments. Outstanding long-term obligations increased due to an increase in net pension liability during fiscal year 2021.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited*

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund. All of the funds of the School District are governmental funds.

Governmental Funds All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental 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 difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2021 compared to 2020.

Newton Falls Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 1
Net Position
Governmental Activities

| | 2021 | 2020 | Change |
|---|---------------------------|---------------------------|-------------------------|
| Assets | | | |
| Current and Other Assets | \$9,765,547 | \$8,624,763 | \$1,140,784 |
| Net OPEB Asset | 656,454 | 635,210 | 21,244 |
| Capital Assets, Net | 9,966,758 | 10,653,759 | (687,001) |
| <i>Total Assets</i> | <u>20,388,759</u> | <u>19,913,732</u> | <u>475,027</u> |
| Deferred Outflows of Resources | | | |
| Deferred Charge on Refunding | 9,709 | 13,726 | (4,017) |
| Pension | 2,006,975 | 1,964,184 | 42,791 |
| OPEB | 278,347 | 192,878 | 85,469 |
| <i>Total Deferred Outflows of Resources</i> | <u>2,295,031</u> | <u>2,170,788</u> | <u>124,243</u> |
| Liabilities | | | |
| Current Liabilities | 1,549,983 | 1,482,033 | (67,950) |
| Long-Term Liabilities | | | |
| Due Within One Year | 396,156 | 417,655 | 21,499 |
| Due In More Than One Year | | | |
| Net Pension Liability | 11,643,663 | 10,977,202 | (666,461) |
| Net OPEB Liability | 885,642 | 1,069,614 | 183,972 |
| Other Amounts | 2,186,624 | 2,302,152 | 115,528 |
| <i>Total Liabilities</i> | <u>16,662,068</u> | <u>16,248,656</u> | <u>(413,412)</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 4,029,775 | 3,880,685 | (149,090) |
| Pension | 935,193 | 1,531,099 | 595,906 |
| OPEB | 1,456,035 | 1,305,928 | (150,107) |
| <i>Total Deferred Inflows of Resources</i> | <u>6,421,003</u> | <u>6,717,712</u> | <u>296,709</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 8,233,664 | 8,647,829 | (414,165) |
| Restricted for: | | | |
| Capital Projects | 99,041 | 99,041 | 0 |
| Debt Service | 489,022 | 433,241 | 55,781 |
| Other Purposes | 896,118 | 433,536 | 462,582 |
| Unrestricted (Deficit) | <u>(10,117,126)</u> | <u>(10,495,495)</u> | <u>378,369</u> |
| <i>Total Net Position</i> | <u><u>(\$399,281)</u></u> | <u><u>(\$881,848)</u></u> | <u><u>\$482,567</u></u> |

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited*

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the 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 healthcare 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 above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Current assets increased due primarily to an increase in cash and cash equivalents as the School District continued careful cost cutting measures to reduce cash basis instructional expense. The School District also had an increase in intergovernmental receivables resulting from the collection of additional grants related to the COVID-19 pandemic. The decrease in capital assets was due to depreciation exceeding current year additions.

Current liabilities increased during fiscal year 2021 due primarily to increases in intergovernmental payables attributable in part to a true up payment made to the Trumbull County Educational Service Center and a significant increase in matured compensated absences payable from pending severance payments. Other long-term obligations increased due to an increase in net pension liability during fiscal year 2021.

Net position increased due primarily to the reduction of net OPEB liability, the decrease in deferred inflows of resources for pension and increases in cash and cash equivalents from cost cutting measures offset in part by reductions in net capital assets.

Table 2 shows the changes in net position for fiscal year 2021 compared to 2020.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited*

Table 2
Change in Net Position
Governmental Activities

| | 2021 | 2020 | Change |
|--|---------------------------|---------------------------|-------------------------|
| Program Revenues | | | |
| Charges for Services and Sales | \$604,253 | \$698,624 | (\$94,371) |
| Operating Grants, Contributions and Interest | 2,914,559 | 1,826,616 | 1,087,943 |
| <i>Total Program Revenues</i> | <u>3,518,812</u> | <u>2,525,240</u> | <u>993,572</u> |
| General Revenues | | | |
| Property Taxes | 4,242,476 | 4,026,881 | 215,595 |
| Grants and Entitlements | 7,256,849 | 7,236,311 | 20,538 |
| Unrestricted Contributions | 10,906 | 0 | 10,906 |
| Investment Earnings | 1,337 | 15,171 | (13,834) |
| Gain on Disposal of Capital Assets | 12,894 | 0 | 12,894 |
| Miscellaneous | 110,965 | 205,873 | (94,908) |
| <i>Total General Revenues</i> | <u>11,635,427</u> | <u>11,484,236</u> | <u>151,191</u> |
| <i>Total Revenues</i> | <u>15,154,239</u> | <u>14,009,476</u> | <u>1,144,763</u> |
| Program Expenses | | | |
| Instruction: | | | |
| Regular | 6,474,557 | 6,157,734 | (316,823) |
| Special | 2,131,020 | 1,990,422 | (140,598) |
| Vocational | 234,937 | 94,192 | (140,745) |
| Adult/Continuing | 1,500 | 1,500 | 0 |
| Support Services: | | | |
| Pupils | 1,262,462 | 929,552 | (332,910) |
| Instructional Staff | 151,357 | 236,658 | 85,301 |
| Board of Education | 45,453 | 128,845 | 83,392 |
| Administration | 1,142,860 | 965,706 | (177,154) |
| Fiscal | 412,044 | 487,781 | 75,737 |
| Operation and Maintenance of Plant | 1,371,046 | 1,121,279 | (249,767) |
| Pupil Transportation | 515,101 | 549,144 | 34,043 |
| Central | 220,536 | 142,430 | (78,106) |
| Operation of Food Service | 379,806 | 430,833 | 51,027 |
| Extracurricular Activities | 272,013 | 352,197 | 80,184 |
| Interest and Fiscal Charges | 56,980 | 66,789 | 9,809 |
| <i>Total Program Expenses</i> | <u>14,671,672</u> | <u>13,655,062</u> | <u>(1,016,610)</u> |
| <i>Change in Net Position</i> | 482,567 | 354,414 | 128,153 |
| Net Position Beginning of Year | <u>(881,848)</u> | <u>(1,236,262)</u> | 354,414 |
| Net Position End of Year | <u><u>(\$399,281)</u></u> | <u><u>(\$881,848)</u></u> | <u><u>\$482,567</u></u> |

Revenue is divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and charges for services that are program specific. General revenues include taxes and unrestricted grants such as State Foundation support.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited*

Program revenues increased for governmental activities in fiscal year 2021. Operating grants increased due to the School District seeking out restricted grant monies as additional resources of operating revenues along with a new grant specific to ESSER. General revenues increased in fiscal year 2021 resulting from increased assessed valuation for taxable property within the School District's territory offset by a decrease in investment earnings. The increase in grants and entitlements for fiscal year 2021 was due to an increase in State Foundation funding due to the COVID-19 pandemic.

Instruction composes the most significant portion of governmental program expenses. The increase in program expenses resulted from increases in instructional services and the overall increase in support services expenses resulting from changes in the net pension liability coupled with spending of additional grants. The School District's OPEB expense related to STRS increased from a negative expense of \$221,107 in fiscal year 2020 to a negative expense of \$65,004 for fiscal year 2021.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2021 compared to 2020.

Table 3
Total and Net Cost of Program Services
Governmental Activities

| | 2021 | | 2020 | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | Total Cost of Service | Net Cost of Service | Total Cost of Service | Net Cost of Service |
| Instruction Expenses | \$8,659,395 | \$6,757,805 | \$8,243,848 | \$6,564,940 |
| Support Services: | | | | |
| Pupils and Instructional Staff | 1,369,898 | 845,960 | 1,166,210 | 850,766 |
| Board of Education and Administration | 1,188,313 | 1,128,574 | 1,094,551 | 1,068,217 |
| Fiscal and Operation and Maintenance of Plant | 1,783,090 | 1,775,642 | 1,609,060 | 1,601,722 |
| Pupil Transportation and Central | 731,014 | 721,297 | 691,574 | 684,374 |
| Operation of Food Service | 379,806 | (324,481) | 430,833 | 55,778 |
| Extracurricular Activities | 272,013 | 191,083 | 352,197 | 237,236 |
| Interest and Fiscal Charges | 56,980 | 56,980 | 66,789 | 66,789 |
| Total | \$14,440,509 | \$11,152,860 | \$13,655,062 | \$11,129,822 |

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of expenses are supported through taxes and other general revenues.

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major fund begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due to revenues continuing to outpace expenditures. Support services expenditures were lower due to continuing cost cutting efforts by the School District during fiscal year 2021.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited*

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund. During the course of fiscal year 2021, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was greater than the original budget estimate. The change was attributed to an increase in property tax estimates as a better picture of actual collections became apparent.

The final budget appropriations were higher than the original budget appropriations for the general fund due to an increase in estimated costs for instructional and support services. Actual expenditures were more than the budget amounts, however the School District actively works to keep spending down while still maintaining the programs the community has come to expect.

Capital Assets and Debt

Capital Assets

During fiscal year 2021, the School District acquired two new tankless water heaters, one new school bus and entered into a new lease for copiers. The School District also disposed of two school buses during fiscal year 2021. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Debt

In fiscal year 2012, the School District refunded the 2002 various purpose improvement general obligation bonds. The original bonds were issued for the purpose of the construction of a new middle school, the renovation of the junior/senior high school building and renovations to convert the old middle school into an elementary school. The 2012 various improvement refunding bonds were issued for a twelve year period with a final maturity at December 1, 2023. The bonds will be retired from the debt service fund.

In fiscal year 2016, the School District issued limited tax general obligation energy conservation bonds. The bonds were issued for the purpose of general energy conservation measures for the School District. These proceeds allowed for HVAC and electrical upgrades along with new boilers. The bonds were issued for a fifteen year period with a final maturity at December 1, 2030. The bonds will be retired from the debt service fund.

In 2021, the School District entered into another five year lease purchase agreement of \$124,813 for the acquisition of copiers.

The School District's overall legal debt margin was \$12,059,989 with an unvoted debt margin of \$134,000. For more information about the School District's long-term obligations, see Note 11 to the basic financial statements.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited*

School District Outlook

The Board of Education and administration closely monitor revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed 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 any questions about this report or need additional financial information contact the Treasurer's office at Newton Falls Exempted Village School District, 909 1/2 Milton Blvd, Newton Falls, Ohio 44444.

Basic Financial Statements

Newton Falls Exempted Village School District

Statement of Net Position

June 30, 2021

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$3,824,067 |
| Accrued Interest Receivable | 936 |
| Intergovernmental Receivable | 664,411 |
| Prepaid Items | 10,612 |
| Inventory Held for Resale | 19,184 |
| Materials and Supplies Inventory | 2,353 |
| Property Taxes Receivable | 5,243,984 |
| Net OPEB Asset (See Note 18) | 656,454 |
| Nondepreciable Capital Assets | 58,300 |
| Depreciable Capital Assets, Net | <u>9,908,458</u> |
| <i>Total Assets</i> | <u>20,388,759</u> |
| Deferred Outflows of Resources | |
| Deferred Charge on Refunding | 9,709 |
| Pension | 2,006,975 |
| OPEB | <u>278,347</u> |
| <i>Total Deferred Outflows of Resources</i> | <u>2,295,031</u> |
| Liabilities | |
| Accounts Payable | 40,613 |
| Contracts Payable | 7,523 |
| Accrued Wages and Benefits | 831,756 |
| Intergovernmental Payable | 446,438 |
| Matured Compensated Absences Payable | 144,099 |
| Accrued Interest Payable | 4,554 |
| Notes Payable | 75,000 |
| Long-Term Liabilities: | |
| Due Within One Year | 396,156 |
| Due In More Than One Year | |
| Net Pension Liability (See Note 17) | 11,643,663 |
| Net OPEB Liability (See Note 18) | 885,642 |
| Other Amounts | <u>2,186,624</u> |
| <i>Total Liabilities</i> | <u>16,662,068</u> |
| Deferred Inflows of Resources | |
| Property Taxes | 4,029,775 |
| Pension | 935,193 |
| OPEB | <u>1,456,035</u> |
| <i>Total Deferred Inflows of Resources</i> | <u>6,421,003</u> |
| Net Position | |
| Net Investment in Capital Assets | 8,233,664 |
| Restricted for: | |
| Capital Projects | 99,041 |
| Debt Service | 489,022 |
| Other Purposes | 896,118 |
| Unrestricted (Deficit) | <u>(10,117,126)</u> |
| <i>Total Net Position</i> | <u><u>(\$399,281)</u></u> |

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2021

| | Program Revenues | | | Net (Expense) |
|------------------------------------|---------------------|--|--|---|
| | Expenses | Charges for Services and Sales | Operating Grants, Contributions and Interest | Revenue and Changes in Net Position |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$6,474,557 | \$361,934 | \$624,146 | (\$5,488,477) |
| Special | 2,131,020 | 137,753 | 904,983 | (1,088,284) |
| Vocational | 234,937 | 6,237 | 49,156 | (179,544) |
| Adult/Continuing | 1,500 | 0 | 0 | (1,500) |
| Support Services: | | | | |
| Pupils | 1,262,462 | 0 | 532,681 | (729,781) |
| Instructional Staff | 151,357 | 0 | 35,178 | (116,179) |
| Board of Education | 45,453 | 0 | 0 | (45,453) |
| Administration | 1,142,860 | 0 | 59,739 | (1,083,121) |
| Fiscal | 412,044 | 0 | 0 | (412,044) |
| Operation and Maintenance of Plant | 1,371,046 | 0 | 7,448 | (1,363,598) |
| Pupil Transportation | 515,101 | 0 | 0 | (515,101) |
| Central | 220,536 | 0 | 14,340 | (206,196) |
| Operation of Food Service | 379,806 | 18,240 | 686,047 | 324,481 |
| Extracurricular Activities | 272,013 | 80,089 | 841 | (191,083) |
| Interest and Fiscal Charges | 56,980 | 0 | 0 | (56,980) |
| <i>Totals</i> | <u>\$14,671,672</u> | <u>\$604,253</u> | <u>\$2,914,559</u> | <u>(11,152,860)</u> |
| | | General Revenues | | |
| | | Property Taxes Levied for: | | |
| | | General Purposes | | 3,722,287 |
| | | Debt Service | | 374,722 |
| | | Classroom Facilities Maintenance | | 145,467 |
| | | Grants and Entitlements not Restricted to Specific Programs | | 7,256,849 |
| | | Unrestricted Contributions | | 10,906 |
| | | Investment Earnings | | 1,337 |
| | | Gain on Disposal of Capital Assets | | 12,894 |
| | | Miscellaneous | | 110,965 |
| | | <i>Total General Revenues</i> | | <u>11,635,427</u> |
| | | Change in Net Position | | 482,567 |
| | | <i>Net Position Beginning of Year</i> | | <u>(881,848)</u> |
| | | <i>Net Position End of Year</i> | | <u>(\$399,281)</u> |

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2021

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------------|---|---|
| Assets | | | |
| Equity in Pooled Cash and | | | |
| Cash Equivalents | \$2,628,905 | \$1,195,162 | \$3,824,067 |
| Accrued Interest Receivable | 936 | 0 | 936 |
| Intergovernmental Receivable | 121,094 | 543,317 | 664,411 |
| Interfund Receivable | 130,539 | 0 | 130,539 |
| Inventory Held for Resale | 0 | 19,184 | 19,184 |
| Materials and Supplies Inventory | 0 | 2,353 | 2,353 |
| Property Taxes Receivable | 4,661,505 | 582,479 | 5,243,984 |
| Prepaid Items | <u>10,612</u> | <u>0</u> | <u>10,612</u> |
| <i>Total Assets</i> | <u><u>\$7,553,591</u></u> | <u><u>\$2,342,495</u></u> | <u><u>\$9,896,086</u></u> |
| Liabilities | | | |
| Accounts Payable | \$10,816 | \$29,797 | \$40,613 |
| Contracts Payable | 7,523 | 0 | 7,523 |
| Accrued Wages and Benefits | 747,246 | 84,510 | 831,756 |
| Interfund Payable | 0 | 130,539 | 130,539 |
| Intergovernmental Payable | 413,006 | 33,432 | 446,438 |
| Matured Compensated Absences Payable | 144,099 | 0 | 144,099 |
| Accrued Interest Payable | 264 | 17 | 281 |
| Notes Payable | <u>70,516</u> | <u>4,484</u> | <u>75,000</u> |
| <i>Total Liabilities</i> | <u>1,393,470</u> | <u>282,779</u> | <u>1,676,249</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 3,584,568 | 445,207 | 4,029,775 |
| Unavailable Revenue | <u>1,101,297</u> | <u>530,955</u> | <u>1,632,252</u> |
| <i>Total Deferred Inflows of Resources</i> | <u>4,685,865</u> | <u>976,162</u> | <u>5,662,027</u> |
| Fund Balances | | | |
| Nonspendable | 10,612 | 2,353 | 12,965 |
| Restricted | 938 | 1,238,009 | 1,238,947 |
| Assigned | 1,415,195 | 0 | 1,415,195 |
| Unassigned (Deficit) | <u>47,511</u> | <u>(156,808)</u> | <u>(109,297)</u> |
| <i>Total Fund Balances</i> | <u>1,474,256</u> | <u>1,083,554</u> | <u>2,557,810</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u><u>\$7,553,591</u></u> | <u><u>\$2,342,495</u></u> | <u><u>\$9,896,086</u></u> |

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2021*

| | |
|---|--------------------|
| Total Governmental Fund Balances | \$2,557,810 |
|---|--------------------|

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

| | |
|---|-----------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 9,966,758 |
|---|-----------|

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

| | |
|---------------------------|-----------|
| Delinquent Property Taxes | 1,192,586 |
| Intergovernmental | 397,345 |
| Tuition and Fees | 42,321 |

| | |
|-------|-----------|
| Total | 1,632,252 |
|-------|-----------|

| | |
|--|---------|
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | (4,273) |
|--|---------|

The net pension liability and net OPEB asset/liability are not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in governmental funds.

| | |
|-----------------------------|--------------|
| Net OPEB Asset | 656,454 |
| Deferred Outflows - Pension | 2,006,975 |
| Deferred Outflows - OPEB | 278,347 |
| Net Pension Liability | (11,643,663) |
| Net OPEB Liability | (885,642) |
| Deferred Inflows - Pension | (935,193) |
| Deferred Inflows - OPEB | (1,456,035) |

| | |
|-------|--------------|
| Total | (11,978,757) |
|-------|--------------|

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

| | |
|------------------------------|-------------|
| General Obligation Bonds | (1,646,662) |
| Capital Leases | (112,332) |
| Special Termination Benefits | (73,911) |
| Compensated Absences | (749,875) |
| Deferred Charge on Refunding | 9,709 |

| | |
|-------|-------------|
| Total | (2,573,071) |
|-------|-------------|

| | |
|--|---------------------------|
| <i>Net Position of Governmental Activities</i> | <i>(\$399,281)</i> |
|--|---------------------------|

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

| | General | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property Taxes | \$3,659,720 | \$489,097 | \$4,148,817 |
| Intergovernmental | 7,915,223 | 2,218,055 | 10,133,278 |
| Interest | 1,337 | 2,324 | 3,661 |
| Tuition and Fees | 490,083 | 0 | 490,083 |
| Extracurricular Activities | 1,239 | 78,850 | 80,089 |
| Contributions and Donations | 10,906 | 2,341 | 13,247 |
| Charges for Services | 11,260 | 18,240 | 29,500 |
| Rentals | 35 | 0 | 35 |
| Miscellaneous | 99,485 | 11,480 | 110,965 |
| <i>Total Revenues</i> | <u>12,189,288</u> | <u>2,820,387</u> | <u>15,009,675</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 5,228,965 | 560,917 | 5,789,882 |
| Special | 1,978,235 | 162,282 | 2,140,517 |
| Vocational | 233,884 | 0 | 233,884 |
| Adult/Continuing | 0 | 1,500 | 1,500 |
| Support Services: | | | |
| Pupils | 448,343 | 570,434 | 1,018,777 |
| Instructional Staff | 153,451 | 32,100 | 185,551 |
| Board of Education | 46,612 | 0 | 46,612 |
| Administration | 1,195,407 | 2,995 | 1,198,402 |
| Fiscal | 382,368 | 49,660 | 432,028 |
| Operation and Maintenance of Plant | 1,300,180 | 88,647 | 1,388,827 |
| Pupil Transportation | 538,137 | 0 | 538,137 |
| Central | 226,150 | 6,104 | 232,254 |
| Operation of Food Service | 0 | 385,389 | 385,389 |
| Extracurricular Activities | 185,577 | 83,654 | 269,231 |
| Capital Outlay | 0 | 50,816 | 50,816 |
| Debt Service: | | | |
| Principal Retirement | 38,269 | 325,000 | 363,269 |
| Interest and Fiscal Charges | 12,537 | 55,449 | 67,986 |
| <i>Total Expenditures</i> | <u>11,968,115</u> | <u>2,374,947</u> | <u>14,343,062</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>221,173</u> | <u>445,440</u> | <u>666,613</u> |
| Other Financing Sources (Uses) | | | |
| Inception of Capital Lease | 124,813 | 0 | 124,813 |
| Transfers In | 0 | 202,936 | 202,936 |
| Transfers Out | (202,936) | 0 | (202,936) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(78,123)</u> | <u>202,936</u> | <u>124,813</u> |
| <i>Net Change in Fund Balances</i> | 143,050 | 648,376 | 791,426 |
| <i>Fund Balances Beginning of Year</i> | <u>1,331,206</u> | <u>435,178</u> | <u>1,766,384</u> |
| <i>Fund Balances End of Year</i> | <u>\$1,474,256</u> | <u>\$1,083,554</u> | <u>\$2,557,810</u> |

See accompanying notes to the basic financial statements

Newton Falls Exempted Village 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, 2021*

Net Change in Fund Balances - Total Governmental Funds \$791,426

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current period.

| | | |
|---------------------------|-----------|-----------|
| Capital Asset Additions | 216,973 | |
| Current Year Depreciation | (891,080) | |
| | | |
| Total | | (674,107) |

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. 12,894

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

| | | |
|---------------------------|--------|---------|
| Delinquent Property Taxes | 93,659 | |
| Intergovernmental | 33,465 | |
| Tuition and Fees | 4,546 | |
| | | |
| Total | | 131,670 |

Other financing sources in the governmental funds, such as inception of capital lease, increase long-term liabilities in the statement of net position. (124,813)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 363,269

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

| | | |
|--|---------|--------|
| Accrued Interest Payable | 648 | |
| Amortization of Premium on Bonds | 14,375 | |
| Amortization of Deferred Charge on Refunding | (4,017) | |
| | | |
| Total | | 11,006 |

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

| | | |
|---------|---------|---------|
| Pension | 891,553 | |
| OPEB | 29,859 | |
| | | |
| Total | | 921,412 |

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

| | | |
|---------|-----------|-----------|
| Pension | (919,317) | |
| OPEB | 110,719 | |
| | | |
| Total | | (808,598) |

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 government funds.

| | | |
|------------------------------|-----------|-----------|
| Special Termination Benefits | 70,292 | |
| Compensated Absences | (211,884) | |
| | | |
| Total | | (141,592) |

Change in Net Position of Governmental Activities \$482,567

See accompanying notes to the basic financial statements

Newton Falls Exempted Village 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, 2021

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Property Taxes | \$3,332,886 | \$3,570,342 | \$3,570,843 | \$501 |
| Intergovernmental | 7,378,480 | 7,904,172 | 7,874,730 | (29,442) |
| Interest | 1,253 | 1,342 | 1,342 | 0 |
| Tuition and Fees | 457,424 | 490,014 | 490,083 | 69 |
| Contributions and Donations | 10,179 | 10,904 | 10,906 | 2 |
| Charges for Services | 10,510 | 11,258 | 11,260 | 2 |
| Rentals | 33 | 35 | 35 | 0 |
| Miscellaneous | 75,200 | 80,558 | 80,569 | 11 |
| <i>Total Revenues</i> | <u>11,265,965</u> | <u>12,068,625</u> | <u>12,039,768</u> | <u>(28,857)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,810,179 | 5,139,693 | 5,139,693 | 0 |
| Special | 1,832,767 | 1,948,106 | 1,948,106 | 0 |
| Vocational | 84,420 | 89,621 | 89,621 | 0 |
| Support Services: | | | | |
| Pupils | 479,080 | 508,598 | 508,598 | 0 |
| Instructional Staff | 147,239 | 156,311 | 156,311 | 0 |
| Board of Education | 58,049 | 61,626 | 61,626 | 0 |
| Administration | 1,137,844 | 1,207,951 | 1,207,951 | 0 |
| Fiscal | 316,194 | 335,676 | 335,676 | 0 |
| Operation and Maintenance of Plant | 1,193,415 | 1,266,946 | 1,266,946 | 0 |
| Pupil Transportation | 524,491 | 556,807 | 556,807 | 0 |
| Central | 206,957 | 219,708 | 219,708 | 0 |
| Extracurricular Activities | 154,369 | 163,880 | 163,880 | 0 |
| <i>Total Expenditures</i> | <u>10,945,004</u> | <u>11,654,923</u> | <u>11,654,923</u> | <u>0</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>320,961</u> | <u>413,702</u> | <u>384,845</u> | <u>(28,857)</u> |
| Other Financing Sources (Uses) | | | | |
| Advances Out | (122,963) | (86,417) | (130,539) | (44,122) |
| Transfers In | 118,702 | 127,177 | 157,726 | 30,549 |
| Transfers Out | (432,169) | (458,796) | (423,239) | 35,557 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(436,430)</u> | <u>(418,036)</u> | <u>(396,052)</u> | <u>21,984</u> |
| <i>Net Change in Fund Balance</i> | (115,469) | (4,334) | (11,207) | (6,873) |
| <i>Fund Balance Beginning of Year</i> | 2,566,760 | 2,566,760 | 2,566,760 | 0 |
| Prior Year Encumbrances Appropriated | 136 | 136 | 136 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$2,451,427</u> | <u>\$2,562,562</u> | <u>\$2,555,689</u> | <u>(\$6,873)</u> |

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

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

Note 1 - Description of the School District and Reporting Entity

Newton Falls Exempted Village School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's three instructional/support facilities staffed by 50 classified employees, 84 certificated full and part-time teaching, 5 administrators and 5 supervisors who provide services to 905 students and other community members.

Reporting Entity

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

Non-public Schools - Within the School District boundaries, Saint Mary and Joseph School is operated through the Youngstown Catholic Diocese. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. 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 the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in two public entity pools and two jointly governed organizations. The organizations are the Northeast Ohio Management Information Network, the Trumbull County Career and Technical Center, the Ohio Schools Council Workers' Compensation Group Retrospective Rating Program and the Trumbull County Schools Employee Insurance Benefits Consortium. These organizations are presented in Notes 14 and 16 to the basic financial statements.

Newton Falls Exempted Village School District

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

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. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. 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. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. In reporting its financial activities, the School District has governmental funds.

Newton Falls Exempted Village School District

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

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the School District's major governmental fund:

General Fund The general fund is the 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 use is restricted, committed or assigned to a particular purpose.

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 (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets 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 (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

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

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

Newton Falls Exempted Village School District

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

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 in which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the 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, interest, tuition, grants, fees and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for the deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 17 and 18.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental and tuition and fees. 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 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 17 and 18)

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

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

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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.

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 2021, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$1,337 none of which was assigned from other School District funds.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which the services are consumed.

Capital Assets

The School District's only capital assets are 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 in the fund financial statements.

Newton Falls Exempted Village School District

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements 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 two thousand 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, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|---------------------------|--|
| Land Improvements | 20 years |
| Building and Improvements | 15 - 50 years |
| Furniture and Fixtures | 5 - 20 years |
| Vehicles | 10 - 20 years |
| Textbooks | 15 years |

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies and donated and purchased food held for resale.

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

Newton Falls Exempted Village School District

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

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.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences 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. Capital leases are recognized as a liability on the governmental fund financial statements when due. 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.

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. 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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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.

Newton Falls Exempted Village School District

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level 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 includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. The Board of Education assigned fund balance for administrative purposes.

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 external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for auxiliary services, food services and extracurricular activities.

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

Newton Falls Exempted Village School District

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

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Estimates

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

Budgetary Data

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Note 3 – 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 resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund Balances | General | Other Governmental Funds | Total |
|------------------------------------|--------------------|--------------------------------|--------------------|
| <i>Nonspendable</i> | | | |
| Prepaid Items | \$10,612 | \$0 | \$10,612 |
| Materials and Supplies Inventory | 0 | 2,353 | 2,353 |
| <i>Total Nonspendable</i> | <u>10,612</u> | <u>2,353</u> | <u>12,965</u> |
| <i>Restricted for</i> | | | |
| Food Service Operations | 0 | 269,163 | 269,163 |
| Scholarships | 0 | 78,324 | 78,324 |
| Classroom Facilities Maintenance | 0 | 132,325 | 132,325 |
| Athletics | 0 | 73,440 | 73,440 |
| Auxiliary Services | 0 | 980 | 980 |
| Data and Information Systems | 0 | 11,400 | 11,400 |
| Student Wellness | 0 | 75,069 | 75,069 |
| Student Managed Activity | 0 | 25,435 | 25,435 |
| Instructional Services | 0 | 24,035 | 24,035 |
| Student Programs | 938 | 0 | 938 |
| Special Education | 0 | 60,473 | 60,473 |
| Debt Service Payments | 0 | 388,324 | 388,324 |
| Capital Improvements | 0 | 99,041 | 99,041 |
| <i>Total Restricted</i> | <u>938</u> | <u>1,238,009</u> | <u>1,238,947</u> |
| <i>Assigned to</i> | | | |
| Administrative | 1,415,195 | 0 | 1,415,195 |
| <i>Unassigned (Deficit)</i> | | | |
| | 47,511 | (156,808) | (109,297) |
| <i>Total Fund Balances</i> | <u>\$1,474,256</u> | <u>\$1,083,554</u> | <u>\$2,557,810</u> |

Note 4 – Accountability

Fund balances at June 30, 2021, included the following individual fund deficits:

| | |
|------------------------------|----------|
| <i>Special Revenue Funds</i> | |
| ESSER | \$33,274 |
| Title I | 103,190 |
| Improving Teacher Quality | 11,331 |
| Miscellaneous Federal Grants | 9,013 |

Newton Falls Exempted Village School District

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

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 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. Budgetary revenues and expenditures of the uniform school supplies and public school support funds are classified to general fund for GAAP Reporting.
5. Advances-In/Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

| | <u>General</u> |
|---|--------------------------|
| GAAP Basis | \$143,050 |
| Net Adjustment for Revenue Accruals | (96,452) |
| Perspective Difference: | |
| Uniform School Supplies | 1,422 |
| Public School Support | 1,385 |
| Net Adjustment for Expenditure Accruals | 69,927 |
| Advances Out | <u>(130,539)</u> |
| Budget Basis | <u><u>(\$11,207)</u></u> |

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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.

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 above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked 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 (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

Newton Falls Exempted Village School District

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

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 five 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2021, \$909,744 of the School District's total bank balance of \$3,484,673 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 60 percent resulting in the uninsured and uncollateralized balance.

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

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

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

Investments

As of June 30, 2021, the School District had STAR Ohio as the only investment with an amount of \$379,153, which is measured at net asset value per share. The average maturity is 54.4 days.

Newton Falls Exempted Village School District

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

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 has no investment policy that addresses credit risk.

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Note 7 – 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 distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received 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. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2021 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 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Newton Falls Exempted Village School District

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

The amount available as an advance at June 30, 2021, was \$19,178 in the general fund, \$248 in the classroom facilities maintenance special revenue fund and \$2,197 in the bond retirement fund. The amount available as an advance at June 30, 2020, was \$5,578 in the general fund, \$74 in the classroom facilities maintenance special revenue fund and \$508 in the bond retirement fund.

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

| | 2020 Second Half Collections | | 2021 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$118,754,860 | 97.23% | \$130,472,230 | 97.37% |
| Public Utility Personal | 3,378,860 | 2.77 | 3,527,650 | 2.63 |
| Total | <u>\$122,133,720</u> | <u>100.00%</u> | <u>\$133,999,880</u> | <u>100.00%</u> |
| Full Tax Rate per \$1,000 of assessed valuation | \$45.45 | | \$44.25 | |

Note 8 - Receivables

Receivables at June 30, 2021, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received 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:

| Intergovernmental Receivables | Amounts |
|--------------------------------|------------------|
| Title I Grant | \$336,692 |
| Lunch Reimbursements | 91,215 |
| Medicaid | 70,848 |
| Miscellaneous State Grants | 55,443 |
| Regular and Special Tuition | 43,538 |
| ESSER Grant | 33,274 |
| Miscellaneous Federal Grants | 14,129 |
| Class Size Reduction Grant | 9,772 |
| Bureau of Workers Compensation | 6,708 |
| Title VI-B Grant | 2,792 |
| Total | <u>\$664,411</u> |

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

| | Balance June 30, 2020 | Additions | Deletions | Balance June 30, 2021 |
|--|--------------------------|--------------------|-------------------|--------------------------|
| Nondepreciable Capital Assets | | | | |
| Land | \$58,300 | \$0 | \$0 | \$58,300 |
| Depreciable Capital Assets | | | | |
| Land Improvements | 304,562 | 0 | 0 | 304,562 |
| Buildings and Improvements | 29,111,491 | 11,526 | 0 | 29,123,017 |
| Furniture and Fixtures | 1,727,321 | 124,813 | (128,940) | 1,723,194 |
| Vehicles | 954,489 | 80,634 | (107,358) | 927,765 |
| Textbooks | 953,225 | 0 | 0 | 953,225 |
| <i>Total at Historical Cost</i> | <u>33,051,088</u> | <u>216,973</u> | <u>(236,298)</u> | <u>33,031,763</u> |
| Less: Accumulated Depreciation | | | | |
| Land Improvements | (202,311) | (13,457) | 0 | (215,768) |
| Buildings and Improvements | (18,944,334) | (752,435) | 0 | (19,696,769) |
| Furniture and Fixtures | (1,555,007) | (81,073) | 116,046 | (1,520,034) |
| Vehicles | (800,752) | (44,115) | 107,358 | (737,509) |
| Textbooks | (953,225) | 0 | 0 | (953,225) |
| <i>Total Accumulated Depreciation</i> | <u>(22,455,629)</u> | <u>(891,080) *</u> | <u>223,404</u> | <u>(23,123,305)</u> |
| <i>Depreciable Capital Assets, Net of Accumulated Depreciation</i> | <u>10,595,459</u> | <u>(674,107)</u> | <u>(12,894)</u> | <u>9,908,458</u> |
| <i>Governmental Activities Capital Assets, Net</i> | <u>\$10,653,759</u> | <u>(\$674,107)</u> | <u>(\$12,894)</u> | <u>\$9,966,758</u> |

* Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|------------------|
| Instruction | |
| Regular | \$821,895 |
| Vocational | 16 |
| Support Services | |
| Operation and Maintenance of Plant | 14,335 |
| Pupil Transportation | 40,057 |
| Central | 886 |
| Operation of Food Service | 10,072 |
| Extracurricular Activities | 3,819 |
| Total Depreciation Expense | <u>\$891,080</u> |

Newton Falls Exempted Village School District

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

Note 10 - Capital Leases

During fiscal year 2021, the School District entered into a 5 year purchase agreement of \$124,813 for the acquisition of copiers. The School District's lease obligation meets the criteria of a capital lease. Capital lease payments for the copier lease are reflected as debt service expenditures in the general fund on the basic financial statements.

Capital assets acquired by lease have been capitalized as follows:

| | |
|--------------------------------|-------------------------|
| Assets: | |
| Equipment | \$124,813 |
| Less: Accumulated Depreciation | <u>(12,481)</u> |
| <i>Current Book Value</i> | <u><u>\$112,332</u></u> |

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2021.

| Fiscal Year Ending June 30 | Governmental Activities |
|---|----------------------------|
| 2022 | \$25,735 |
| 2023 | 25,735 |
| 2024 | 25,735 |
| 2025 | 25,734 |
| 2026 | <u>12,867</u> |
| Total | 115,806 |
| Less: Amount Representing Interest | <u>(3,474)</u> |
| Present Value of Net Minimum Lease Payments | <u><u>\$112,332</u></u> |

Note 11 – Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

| <u>Debt Issue</u> | <u>Interest Rate</u> | <u>Original Issue</u> | <u>Year of Maturity</u> |
|---|----------------------|-----------------------|-------------------------|
| 2012 Various Purpose Refunding Bonds: Serial Bonds | 2.90% to 3.70% | \$2,665,000 | 2024 |
| 2015 LTGO Energy Conservation Bonds: Term Bonds | 1.10 to 4.00 | 1,145,000 | 2030 |

Changes in long-term obligations of the School District during fiscal year 2021 were as follows:

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

| | Principal Outstanding June 30, 2020 | Additions | Deductions | Principal Outstanding June 30, 2021 | Amount Due in One Year |
|--|---|--------------------|--------------------|---|------------------------------|
| Governmental Activities | | | | | |
| General Obligation Bonds | | | | | |
| 2012 Various Purpose Refunding Bonds | | | | | |
| Serial Bonds | \$1,045,000 | \$0 | (\$255,000) | \$790,000 | \$260,000 |
| Premium | 43,080 | 0 | (12,609) | 30,471 | 0 |
| Total 2012 Various Purpose Refunding Bonds | <u>1,088,080</u> | <u>0</u> | <u>(267,609)</u> | <u>820,471</u> | <u>260,000</u> |
| 2015 LTGO Energy Conservation Bonds | | | | | |
| Term Bonds | 880,000 | 0 | (70,000) | 810,000 | 70,000 |
| Premium | 17,957 | 0 | (1,766) | 16,191 | 0 |
| Total 2015 LTGO Energy Conservation Bonds | <u>897,957</u> | <u>0</u> | <u>(71,766)</u> | <u>826,191</u> | <u>70,000</u> |
| <i>Total General Obligation Bonds</i> | <u>1,986,037</u> | <u>0</u> | <u>(339,375)</u> | <u>1,646,662</u> | <u>330,000</u> |
| Other Long-term Obligations | | | | | |
| Net Pension Liability: | | | | | |
| SERS | 2,495,773 | 110,119 | 0 | 2,605,892 | 0 |
| STRS | 8,481,429 | 556,342 | 0 | 9,037,771 | 0 |
| <i>Total Net Pension Liability</i> | 10,977,202 | 666,461 | 0 | 11,643,663 | 0 |
| Net OPEB Liability: | | | | | |
| SERS | 1,069,614 | 0 | (183,972) | 885,642 | 0 |
| Capital Lease | 51,576 | 124,813 | (64,057) | 112,332 | 24,963 |
| Special Termination Benefits | 144,203 | 0 | (70,292) | 73,911 | 33,519 |
| Compensated Absences | 537,991 | 231,379 | (19,495) | 749,875 | 7,674 |
| <i>Total Other Long-term Obligations</i> | <u>12,780,586</u> | <u>1,022,653</u> | <u>(337,816)</u> | <u>13,465,423</u> | <u>66,156</u> |
| <i>Total Governmental Activities</i> | | | | | |
| <i>Long-Term Liabilities</i> | <u>\$14,766,623</u> | <u>\$1,022,653</u> | <u>(\$677,191)</u> | <u>\$15,112,085</u> | <u>\$396,156</u> |

In fiscal year 2016, the School District issued \$1,145,000 in limited tax general obligation energy conservation bonds. The bonds were issued for the purpose of improving the School District's energy efficiency measures. The bonds were issued for a fifteen year period with a final maturity at December 1, 2030. The bonds will be retired from the debt service fund.

In fiscal year 2013, the School District defeased a 2002 various purpose general obligation bond issue in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2021, \$1,055,000 of the defeased bonds are still outstanding.

Newton Falls Exempted Village School District

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

Compensated absences will be paid from the general fund and the food service, student wellness, title VI-B and title I grants special revenue funds. Special termination benefits will be paid out of the general fund. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension contributions are made from the following funds: the general fund and the food service, student wellness, title VI-B and title I grants special revenue funds. For additional information related to the net pension and net OPEB liabilities see Notes 17 and 18.

The overall debt margin of the School District as of June 30, 2021, was \$12,059,989 with an unvoted debt margin of \$134,000. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2021, are as follows:

| Fiscal Year Ending June 30 | General Obligation Bonds | | | |
|-------------------------------|--------------------------|-----------------|------------------|------------------|
| | Serial | | Term | |
| | Principal | Interest | Principal | Interest |
| 2022 | \$260,000 | \$19,800 | \$70,000 | \$26,875 |
| 2023 | 260,000 | 12,000 | 70,000 | 25,125 |
| 2024 | 270,000 | 4,050 | 75,000 | 22,950 |
| 2025 | 0 | 0 | 75,000 | 20,700 |
| 2026 | 0 | 0 | 80,000 | 18,175 |
| 2027 - 2031 | 0 | 0 | 440,000 | 44,562 |
| Total | \$790,000 | \$35,850 | \$810,000 | \$158,387 |

Note 12 – Notes Payable

The School District’s note activity, including amount outstanding and interest rate is as follows:

| | Outstanding 6/30/2020 | Issued | Retired | Outstanding 6/30/2021 |
|----------------------------------|--------------------------|--------|------------|--------------------------|
| Governmental Activities | | | | |
| Tax Anticipation Notes 4 to 4.5% | \$150,000 | \$0 | (\$75,000) | \$75,000 |

On June 30, 2015, the School District issued \$355,000 in tax anticipation notes for operations. The notes will be paid from the bond retirement fund. Principal and interest payments to retire the tax anticipation notes are as follows:

| | Principal | Interest | Total |
|------|-----------|----------|----------|
| 2022 | \$75,000 | \$1,688 | \$76,688 |

All notes are backed by the full faith and credit of the School District. The note liability is reflected in the fund which received the proceeds and will repay the debt.

Newton Falls Exempted Village School District

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

Note 13 - Interfund Balances and Transfers

Interfund Balances

| <u>Interfund Payable</u> | <u>Interfund Receivable</u> |
|---|---------------------------------|
| | <u>General</u> |
| <i>Other Governmental Funds:</i> | |
| Athletics and Music | \$32,174 |
| ESSER | 22,174 |
| Title VI-B | 6,005 |
| Title I | 54,762 |
| Reducing Class Size | 9,911 |
| Miscellaneous Federal Grants | <u>5,513</u> |
| Total | <u><u>\$130,539</u></u> |

The interfund receivables and payables are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants are received and the advances can be repaid. These loans are expected to be repaid within the next fiscal year.

Interfund Transfers

The general fund transferred \$202,936 to other governmental funds to help provide funding for fiscal year 2021.

Note 14 – Public Entity Pools

Insurance Purchasing Pool

Ohio Schools Council Workers’ Compensation Group Retrospective Rating Program The School District participates in the Ohio Schools Council Group Retrospective Rating Program, an insurance purchasing pool. Each district supports the Council by paying an annual participation fee. The program was created for the purpose of reducing the cost of workers’ compensation premiums.

Shared Risk Pool

Trumbull County Schools Employee Insurance Benefits Consortium The School District participates in the Trumbull County Schools Employee Insurance Benefits Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Note 15 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2021, the School District contracted for the following insurance coverage:

| Company | Type of Coverage | Coverage Amount |
|----------------------|---|---------------------|
| Moore Risk Solutions | Building and Contents | \$69,099,027 |
| | General Liability | |
| | Bodily Injury and Property Damage | 6,000,000 |
| | Personal Injury/Advertising Liability | 6,000,000 |
| | Products/Completed Operations | 6,000,000 |
| | Employers Stop Gap Liability | |
| | Bodily Injury by Accident, each accident | 6,000,000 |
| | Bodily Injury by Disease, Limit | 6,000,000 |
| | Bodily Injury by Disease, each employee | 6,000,000 |
| | Aggregate Limit | 8,000,000 |
| | General Annual Aggregate Limit | 8,000,000 |
| | Fire Legal Liability | 500,000 |
| | Medical Payments - Occurrence/Aggregate | 5,000/25,000 |
| | Educators' Legal Liability | |
| | Wrongful Acts, per occurrence | 6,000,000 |
| | Wrongful Acts, in aggregate with \$2,500 deductible | 8,000,000 |
| | Employee Benefits Liability | 6,000,000/8,000,000 |
| | Automobile Liability | |
| | Bodily Injury and Property Damage, per occurrence | 6,000,000 |
| | Medical Payments - Occurrence/Aggregate | 10,000 / N/A |
| | Uninsured/Underinsured Motorist, per person | 1,000,000 |
| | Uninsured/Underinsured Motorist, per occurrence | 1,000,000 |

The School District has contracted with the Trumbull County Schools Employee Insurance Benefit Consortium to provide employee medical/surgical, dental, and prescription drug benefits. The Trumbull County Schools Employee Insurance Benefit Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The Newton Falls Exempted Village School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District offers two medical/prescription drug plans to employees. The Board pays premiums of either \$1,904 or \$1,710 for family coverage and either \$680 or \$611 for single coverage per employee per month. If the School District were to withdraw from the consortium, there would be no liability because premium levels fund a reserve for subsequent claim payments. The School District provides dental coverage through Delta Dental which is paid through the Trumbull County School Employee Insurance Benefit Consortium.

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District did not make significant reductions in coverage from last year.

Newton Falls Exempted Village School District

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

Worker's Compensation

For fiscal year 2021, the School District participated in the Ohio Schools Council Workers' Compensation Group Retrospective Rating Program, an insurance purchasing pool (Note 14). The intent of the program 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 program. The participating school districts pay experience or rate based premiums to the Bureau of Workers' Compensation (BWC). The total premium for the entire group is the standard premium of the group. The BWC recalculates the group retrospective premium 12 months after the end of the policy year, based on developed incurred claim losses. If the new calculated premium is lower than the standard premium, the BWC will distribute a refund to the school districts in the group. Participation in the program is limited to school districts that can meet the Ohio Schools Council's selection criteria. The firm of Sheakley provides administrative, cost control, and actuarial services for the program.

Note 16 - Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Newton Falls Exempted Village School District paid \$41,016 to NEOMIN during fiscal year 2021.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The Newton Falls Exempted Village School District was not represented on the Governing Board during fiscal year 2021. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Trumbull County Career and Technical Center The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the nineteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Trumbull County Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain financial information write to the Trumbull County Career and Technical Center, Cody Holecko, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Newton Falls Exempted Village School District

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

Note 17 – 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 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 is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

The 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 includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide 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 18 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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
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financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 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.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$214,082 for fiscal year 2021. Of this amount \$68,828 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

Newton Falls Exempted Village School District

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For the Fiscal Year Ended June 30, 2021*

detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 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, 2023, when retirement eligibility will be 5 years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members 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.

Newton Falls Exempted Village School District

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

The School District’s contractually required contribution to STRS was \$677,471 for fiscal year 2021. Of this amount \$122,953 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is 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 | 0.03939840% | 0.03735165% | |
| Prior Measurement Date | <u>0.04171320%</u> | <u>0.03835252%</u> | |
| Change in Proportionate Share | <u>-0.00231480%</u> | <u>-0.00100087%</u> | |
| Proportionate Share of the Net Pension Liability | \$2,605,892 | \$9,037,771 | \$11,643,663 |
| Pension Expense | \$140,705 | \$778,612 | \$919,317 |

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$5,061 | \$20,279 | \$25,340 |
| Changes of assumptions | 0 | 485,153 | 485,153 |
| Net difference between projected and actual earnings on pension plan investments | 165,421 | 439,508 | 604,929 |
| School District contributions subsequent to the measurement date | <u>214,082</u> | <u>677,471</u> | <u>891,553</u> |
| Total Deferred Outflows of Resources | <u>\$384,564</u> | <u>\$1,622,411</u> | <u>\$2,006,975</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$0 | \$57,790 | \$57,790 |
| Changes in proportionate share and difference between School District contributions and proportionate share of contributions | <u>107,219</u> | <u>770,184</u> | <u>877,403</u> |
| Total Deferred Inflows of Resources | <u>\$107,219</u> | <u>\$827,974</u> | <u>\$935,193</u> |

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\$891,553 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, 2022. 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 |
|-----------------------------|-----------------|------------------|------------------|
| 2022 | (\$76,605) | (\$4,411) | (\$81,016) |
| 2023 | 19,128 | (140,939) | (121,811) |
| 2024 | 68,951 | 106,186 | 175,137 |
| 2025 | 51,789 | 156,130 | 207,919 |
| Total | <u>\$63,263</u> | <u>\$116,966</u> | <u>\$180,229</u> |

Actuarial Assumptions – SERS

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

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

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

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

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

Newton Falls Exempted Village School District

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

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

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

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

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

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

Newton Falls Exempted Village School District

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| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$3,569,755 | \$2,605,892 | \$1,797,194 |

Changes between the Measurement Date and the Reporting Date At the April 2021 board meeting, the SERS Board lowered the investment rate of return from 7.50 percent to 7.00 percent, lowered inflation from 3.00 percent to 2.40 percent, reduced wage inflation from 3.50 percent to 3.25 percent, reduced COLA from 2.50 percent to 2.00 percent, along with certain other changes for the actuarial valuation as of June 30, 2021. The effects of these changes are unknown.

Actuarial Assumptions – STRS

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

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

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. 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 July 1, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

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| 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, but do not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$12,868,211 | \$9,037,771 | \$5,791,790 |

Changes between the Measurement Date and the Reporting Date At the June 2021 board meeting, the STRS Board approved a change in the discount rate from 7.45 percent to 7.00 percent for the June 30, 2021 valuation. The effect on the net pension liability is unknown.

Newton Falls Exempted Village School District

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Note 18 – Defined Benefit OPEB Plans

See Note 17 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. 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.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$29,859.

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 \$29,859 for fiscal year 2021. Of this amount \$29,859 is reported as an intergovernmental payable.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
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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 – The 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, 2021, STRS did not allocate any employer contributions to postemployment health care.

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|---------------------|--------------|
| Proportion of the Net OPEB Liability/Asset: | | | |
| Current Measurement Date | 0.04075050% | 0.03735165% | |
| Prior Measurement Date | <u>0.04253300%</u> | <u>0.03835252%</u> | |
| Change in Proportionate Share | <u>-0.00178250%</u> | <u>-0.00100087%</u> | |
| Proportionate Share of the: | | | |
| Net OPEB Liability | \$885,642 | \$0 | \$885,642 |
| Net OPEB (Asset) | \$0 | (\$656,454) | (\$656,454) |
| OPEB Expense | (\$45,715) | (\$65,004) | (\$110,719) |

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|------------------|------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$11,632 | \$42,063 | \$53,695 |
| Changes of assumptions | 150,971 | 10,837 | 161,808 |
| Net difference between projected and actual earnings on OPEB plan investments | 9,979 | 23,006 | 32,985 |
| School District contributions subsequent to the measurement date | 29,859 | 0 | 29,859 |
| Total Deferred Outflows of Resources | <u>\$202,441</u> | <u>\$75,906</u> | <u>\$278,347</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$450,410 | \$130,757 | \$581,167 |
| Changes of assumptions | 22,307 | 623,522 | 645,829 |
| Changes in proportionate share and difference between School District contributions and proportionate share of contributions | 123,677 | 105,362 | 229,039 |
| Total Deferred Inflows of Resources | <u>\$596,394</u> | <u>\$859,641</u> | <u>\$1,456,035</u> |

\$29,859 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending June 30: | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|--------------------|--------------------|----------------------|
| 2022 | (\$88,108) | (\$195,488) | (\$283,596) |
| 2023 | (87,386) | (179,916) | (267,302) |
| 2024 | (87,503) | (174,451) | (261,954) |
| 2025 | (81,131) | (169,386) | (250,517) |
| 2026 | (58,987) | (32,540) | (91,527) |
| Thereafter | (20,697) | (31,954) | (52,651) |
| Total | <u>(\$423,812)</u> | <u>(\$783,735)</u> | <u>(\$1,207,547)</u> |

Actuarial Assumptions – SERS

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

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

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

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

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

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

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

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

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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 17.

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

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 School District’s proportionate share of the net OPEB liability for SERS and what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the School District’s proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

| | 1% Decrease (1.63%) | Current Discount Rate (2.63%) | 1% Increase (3.63%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB liability | \$1,084,003 | \$885,642 | \$727,944 |

| | 1% Decrease (6.00 % decreasing to 3.75%) | Current Trend Rate (7.00 % decreasing to 4.75%) | 1% Increase (8.00 % decreasing to 5.75%) |
|--|--|--|--|
| School District's proportionate share of the net OPEB liability | \$697,375 | \$885,642 | \$1,137,402 |

Changes between the Measurement Date and the Reporting Date At the April 2021 board meeting, the SERS Board reduced the wage growth assumption from 3.50 percent to 3.25 percent and changed the health care rate of return to 7.00 percent for the actuarial valuation as of June 30, 2021. The effects of these changes are unknown.

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Notes to the Basic Financial Statements

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Actuarial Assumptions – STRS

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

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

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

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

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

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

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 17.

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

Sensitivity of the School District’s Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the School District’s proportionate share of the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the School District’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 (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB asset | (\$571,158) | (\$656,454) | (\$728,826) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|-------------|-----------------------|-------------|
| School District's proportionate share of the net OPEB asset | (\$724,333) | (\$656,454) | (\$573,768) |

Note 19 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers and most administrators do not earn vacation. The Superintendent earns 20 days of vacation annually and may be paid up to 7 days of unused vacation at the end of each year. The Treasurer earns 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Teachers, administrators and classified employees who reach 200 days of accumulated sick leave, may store up to 10 days of personal leave as an addition to their sick leave severance. Upon retirement and having been employed by the School District for at least ten years, all employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 50 days for classified employees and 55 days for certificated employees.

Life Insurance Benefits

The School District provides life insurance to most employees through VOYA Financial, Inc., in the amount of \$50,000 for all employees who work more than twenty-five hours per week. Premiums are paid for by the Board of Education.

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Special Termination Benefits

During fiscal year 2018, the School District negotiated an early retirement incentive with an employee. The incentive is to cover costs for the employee's health care beginning in July of 2018 and ending in March of 2024. The School District will be making payments directly to the employee on a quarterly basis as reimbursement for the employee's costs. The liability for these special termination benefits was \$33,912 as of June 30, 2021.

During fiscal year 2020, the School District negotiated an early retirement incentive to include severance with three employees. The School District will be making payments directly to the employee on an annual basis as negotiated. The total incentive benefit is \$60,000 and is to be paid out in 3 installments annually on or before September 1, 2020, 2021 and 2022. The liability for these special termination benefits was \$39,999 as of June 30, 2021.

Note 20 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2021, if applicable, cannot be determined at this time.

School Foundation

In fiscal year 2021, School District foundation funding was 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 2021 have been finalized which did not result in a material receivable to or liability of the School District.

Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 21 - 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 and carried forward to be used for the same purposes in future years.

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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, 2020 | \$0 |
| Current Year Set-aside Requirement | 179,126 |
| Current Year Offsets | (281,887) |
| Qualifying Disbursements | <u>(101,011)</u> |
| Total | <u><u>(\$203,772)</u></u> |
| Set-aside Balance Carried Forward to Future Fiscal Years | <u>\$0</u> |
| Set Aside Balance as of June 30, 2021 | <u><u>\$0</u></u> |

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

Note 22 – Change in Accounting Principle

The School District implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2019-1*. These changes were incorporated in the School District’s 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Note 23 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief and Economic Security (CARES) Act funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The School District’s investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Note 24 – Subsequent Events

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$1,370,586 in revenue and expenditures/expense related to these programs. Also during fiscal year 2021, the School District reported \$342,351 in tuition and fees from the resident school districts which will be direct funded to the School District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

On November 10, 2021, the School District entered into a lease purchase agreement in the amount of \$3,100,000 to make improvements to the School District’s athletic facilities. The lease purchase agreement is for a ten year period at a rate of 2.48 percent.

Required Supplementary Information

Newton Falls Exempted Village 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 Eight Fiscal Years (1)

| | 2021 | 2020 | 2019 |
|---|-------------|-------------|-------------|
| School District's Proportion of the Net Pension Liability | 0.03939840% | 0.04171320% | 0.04398440% |
| School District's Proportionate Share of the Net Pension Liability | \$2,605,892 | \$2,495,773 | \$2,519,068 |
| School District's Covered Payroll | \$1,394,750 | \$1,438,941 | \$1,463,496 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll | 186.84% | 173.45% | 172.13% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.55% | 70.85% | 71.36% |

(1) Information prior to 2014 is not available.

*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

| 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------|-------------|-------------|-------------|-------------|
| 0.04537940% | 0.04881070% | 0.05184320% | 0.05094500% | 0.05094500% |
| \$2,711,319 | \$3,572,493 | \$2,958,224 | \$2,578,298 | \$3,029,536 |
| \$1,450,550 | \$1,515,507 | \$1,556,009 | \$1,421,084 | \$1,555,924 |
| 186.92% | 235.73% | 190.12% | 181.43% | 194.71% |
| 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

Newton Falls Exempted Village 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 Five Fiscal Years (1)

| | 2021 | 2020 | 2019 |
|--|-------------|-------------|-------------|
| School District's Proportion of the Net OPEB Liability | 0.04075050% | 0.04253300% | 0.04444370% |
| School District's Proportionate Share of the Net OPEB Liability | \$885,642 | \$1,069,614 | \$1,232,988 |
| School District's Covered Payroll | \$1,394,750 | \$1,438,941 | \$1,463,496 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll | 63.50% | 74.33% | 84.25% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 18.17% | 15.57% | 13.57% |

(1) Information prior to 2017 is not available.

*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

| 2018 | 2017 |
|-------------|-------------|
| 0.04596370% | 0.04953430% |
| \$1,233,545 | \$1,411,911 |
| \$1,450,550 | \$1,515,507 |
| 85.04% | 93.16% |
| 12.46% | 11.49% |

Newton Falls Exempted Village 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 Eight Fiscal Years (1)

| | 2021 | 2020 | 2019 |
|---|-------------|-------------|-------------|
| School District's Proportion of the Net Pension Liability | 0.03735165% | 0.03835252% | 0.04081729% |
| School District's Proportionate Share of the Net Pension Liability | \$9,037,771 | \$8,481,429 | \$8,974,806 |
| School District's Covered Payroll | \$4,573,371 | \$4,486,414 | \$4,617,050 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll | 197.62% | 189.05% | 194.38% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.50% | 77.40% | 77.30% |

(1) Information prior to 2014 is not available.

*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

| 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------|--------------|--------------|--------------|--------------|
| 0.04448223% | 0.04470326% | 0.04572868% | 0.04625010% | 0.04625010% |
| \$10,566,849 | \$14,963,529 | \$12,638,070 | \$11,241,090 | \$13,390,313 |
| \$4,732,121 | \$4,759,871 | \$4,863,521 | \$4,696,893 | \$5,259,169 |
| 223.30% | 314.37% | 259.85% | 239.33% | 254.61% |
| 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

Newton Falls Exempted Village 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 Five Fiscal Years (1)

| | 2021 | 2020 | 2019 |
|--|-------------|-------------|-------------|
| School District's Proportion of the Net OPEB (Asset) Liability | 0.03735165% | 0.03835252% | 0.04081729% |
| School District's Proportionate Share of the Net OPEB (Asset) Liability | (\$656,454) | (\$635,210) | (\$655,892) |
| School District's Covered Payroll | \$4,573,371 | \$4,486,414 | \$4,617,050 |
| School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered - Payroll | -14.35% | -14.16% | -14.21% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability | 182.10% | 174.70% | 176.00% |

(1) Information prior to 2017 is not available.

*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

| 2018 | 2017 |
|-------------|-------------|
| 0.04448223% | 0.04470326% |
| \$1,735,532 | \$2,390,742 |
| \$4,732,121 | \$4,759,871 |
| 36.68% | 50.23% |
| 47.10% | 37.30% |

Newton Falls Exempted Village School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|------------------|------------------|
| Net Pension Liability | | | | |
| Contractually Required Contribution | \$214,082 | \$195,265 | \$194,257 | \$197,572 |
| Contributions in Relation to the Contractually Required Contribution | <u>(214,082)</u> | <u>(195,265)</u> | <u>(194,257)</u> | <u>(197,572)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered Payroll (1) | \$1,529,157 | \$1,394,750 | \$1,438,941 | \$1,463,496 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>13.50%</u> | <u>13.50%</u> |
| Net OPEB Liability | | | | |
| Contractually Required Contribution (2) | 29,859 | 25,549 | 32,149 | 30,535 |
| Contributions in Relation to the Contractually Required Contribution | <u>(29,859)</u> | <u>(25,549)</u> | <u>(32,149)</u> | <u>(30,535)</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>1.95%</u> | <u>1.83%</u> | <u>2.23%</u> | <u>2.09%</u> |
| Total Contributions as a Percentage of Covered Payroll (2) | <u>15.95%</u> | <u>15.83%</u> | <u>15.73%</u> | <u>15.59%</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

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$203,077 | \$212,171 | \$205,082 | \$196,962 | \$215,340 | \$200,622 |
| (203,077) | (212,171) | (205,082) | (196,962) | (215,340) | (200,622) |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$1,450,550 | \$1,515,507 | \$1,556,009 | \$1,421,084 | \$1,555,924 | \$1,491,614 |
| <u>14.00%</u> | <u>14.00%</u> | <u>13.18%</u> | <u>13.86%</u> | <u>13.84%</u> | <u>13.45%</u> |
| 24,654 | 25,355 | 78,978 | 25,846 | 29,675 | 29,871 |
| (24,654) | (25,355) | (78,978) | (25,846) | (29,675) | (29,871) |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>1.70%</u> | <u>1.67%</u> | <u>5.08%</u> | <u>1.82%</u> | <u>1.91%</u> | <u>2.00%</u> |
| <u>15.70%</u> | <u>15.67%</u> | <u>18.26%</u> | <u>15.68%</u> | <u>15.75%</u> | <u>15.45%</u> |

Newton Falls Exempted Village School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|------------------|------------------|
| Net Pension Liability | | | | |
| Contractually Required Contribution | \$677,471 | \$640,272 | \$628,098 | \$646,387 |
| Contributions in Relation to the Contractually Required Contribution | <u>(677,471)</u> | <u>(640,272)</u> | <u>(628,098)</u> | <u>(646,387)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered Payroll (1) | \$4,839,079 | \$4,573,371 | \$4,486,414 | \$4,617,050 |
| 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 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

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$662,497 | \$666,382 | \$680,893 | \$610,596 | \$683,692 | \$664,705 |
| (662,497) | (666,382) | (680,893) | (610,596) | (683,692) | (664,705) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$4,732,121 | \$4,759,871 | \$4,863,521 | \$4,696,893 | \$5,259,169 | \$5,113,115 |
| 14.00% | 14.00% | 14.00% | 13.00% | 13.00% | 13.00% |
| \$0 | \$0 | \$0 | \$46,969 | \$52,592 | \$51,131 |
| 0 | 0 | 0 | (46,969) | (52,592) | (51,131) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 0.00% | 0.00% | 0.00% | 1.00% | 1.00% | 1.00% |
| 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

Newton Falls Exempted Village School District

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021*

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported 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 fiscal year 2016 and prior are presented below:

| | <u>Fiscal Year 2017</u> | <u>Fiscal Year 2016 and Prior</u> |
|---|---|---|
| Wage Inflation | 3.00 percent | 3.25 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent | 4.00 percent to 22.00 percent |
| Investment Rate of Return | 7.50 percent net of investments expense, including inflation | 7.75 percent net of investments expense, including inflation |

Beginning with fiscal year 2017, mortality assumptions 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 2018, 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 year 2017 and prior are presented below:

| | <u>Fiscal Year 2018</u> | <u>Fiscal Year 2017 and Prior</u> |
|--------------------------------------|--|--|
| Inflation | 2.50 percent | 2.75 percent |
| Projected salary increases | 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 | 7.45 percent, net of investment expenses, including inflation | 7.75 percent, net of investment expenses, including inflation |
| Payroll Increases | 3 percent | 3.5 percent |
| Cost-of-Living Adjustments (COLA) | 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. |

Newton Falls Exempted Village School District

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

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

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

| | |
|---|--------------|
| Municipal Bond Index Rate: | |
| 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 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 |

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.

Newton Falls Exempted Village School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

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 will 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 will 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.

**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2021**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal CFDA Number | Total Federal Expenditures |
|--|------------------------------------|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | |
| <i>Passed Through Ohio Department of Education:</i> | | |
| Child Nutrition Cluster: | | |
| COVID-19 - School Breakfast Program | 10.553 | \$ 23,351 |
| School Breakfast Program | 10.553 | 143,749 |
| COVID-19 - School Lunch Program | 10.555 | 34,437 |
| School Lunch Program | 10.555 | 174,401 |
| Non-Cash Assistance: | | |
| National School Lunch Program | 10.555 | 12,894 |
| Total U.S. Department of Agriculture - Nutrition Cluster | | 388,832 |
| U.S. DEPARTMENT OF EDUCATION | | |
| <i>Passed Through Ohio Department of Education:</i> | | |
| Title I Grants to Local Educational Agencies - 2020 | 84.010 | 6,713 |
| Title I Grants to Local Educational Agencies - 2021 | 84.010 | 285,839 |
| Total Title I Grants to Local Educational Agencies | | 292,552 |
| <i>Special Education Cluster:</i> | | |
| Special Education Grants to States (IDEA, Part B) - 2020 | 84.027 | 6,005 |
| Special Education Grants to States (IDEA, Part B) - 2021 | 84.027 | 217,750 |
| Total Special Education Cluster | | 223,755 |
| Improving Teacher Quality State Grants (Title II-A) - 2020 | 84.367 | 6,478 |
| Improving Teacher Quality State Grants (Title II-A) - 2021 | 84.367 | 34,943 |
| Total Improving Teacher Quality State Grants | | 41,421 |
| Student Support Academic Enrichment - 2021 | 84.424 | 30,327 |
| Total Student Support Academic Enrichment | | 30,327 |
| COVID-19 - Rural Low Income Grant - 2021 | 84.358 | 6,311 |
| Total COVID-19 - Rural Low Income Grant | | 6,311 |
| COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425D | 241,425 |
| Total U.S. Department of Education | | 835,791 |
| U.S. DEPARTMENT OF TREASURY | | |
| <i>Passed Through Ohio Department of Education:</i> | | |
| COVID-19 - Coronavirus Relief Fund - Rural and Small Town SD | 21.019 | 49,910 |
| COVID-19 - BroadbandOhio Connectivity | 21.019 | 27,700 |
| Total U.S. Department of Treasury | | 77,610 |
| Total Federal Awards Receipts and Expenditures | | 1,302,233 |

The accompanying notes are an integral part of this schedule.

**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Newton Falls Exempted Village School District (the District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in 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 District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE E - CHILD NUTRITION CLUSTER

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

NOTE F – FOOD DONATION PROGRAM

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

NOTE G - 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 District transferred the following amounts from 2021 to 2022 programs:

| Program Title | Assistance Listing Number | Amt. Transferred |
|--|---------------------------|------------------|
| Title I Grants to Local Educational Agencies | 84.010A | \$ 5,655 |
| Title I Expanding Opportunities | 84.010A | \$ 5,547 |
| Title I Supplemental School Improvement | 84.010A | \$ 4,899 |
| IDEA-B Special Education - Grants to States | 84.027A | \$ 10,233 |
| IDEA Early Childhood Special Education | 84.027A | \$ 3,148 |
| COVID-19 - Title V-B Rural and Low Income | 84.358B | \$ 19,970 |

OHIO AUDITOR OF STATE KEITH FABER



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

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

Newton Falls Exempted Village School District
Trumbull County
909 ½ Milton Blvd.
Newton Falls, Ohio 44444

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Newton Falls Exempted Village School District, Trumbull County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 18, 2022. We noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2021-001 and 2021-002 to be significant deficiencies.

Efficient • Effective • Transparent

Compliance and Other Matters

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

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

August 18, 2022

OHIO AUDITOR OF STATE KEITH FABER



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

Newton Falls Exempted Village School District
Trumbull County
909 ½ Milton Blvd.
Newton Falls, Ohio 44444

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Newton Falls Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Newton Falls Exempted Village School District's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Newton Falls Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 18, 2022

**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

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)? | Yes |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (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 | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): Nutrition Cluster | 10.553 and 10.555 |
| (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? | Yes |

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

1. Transfers and Advances

FINDING NUMBER 2021-001

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code Section 5705.15.

Advances must be approved and clearly labeled as such by a formal resolution of the taxing authority of the subdivision which must include: a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made.

In addition, *Guidelines for Student Activity Programs* by the Auditor of State states "Each school district should adopt a policy governing the disposition of funds remaining after a specific student activity group is dissolved. The board may provide several alternatives to the group. Appropriate methods of disposition include authorized expenditures, donation of remaining funds to another student activity program, or transfer of funds in accordance with legal requirements."

We noted the District made transfers and advances without Board approval. The total amount of transfers made without Board approval was \$132,249 from the General Fund and Emergency Levy Fund to five Special Revenue funds. We did note the Board passed resolution #355 at the June 23, 2021 meeting for transfers that were previously distributed, however, no such list/documentation was provided for audit. In addition, the wording of the resolution says the monies will be transferred back when ODE has completed the project cash requests. Per Ohio law, a transfer is a one-time permanent movement of money. Repayment is not allowed.

The total amount of advances made without Board approval was \$66,849 out of the General Fund and \$12,501 advances-in for a total of \$79,350. In addition, the District does not have a Board policy regarding dormant student activity funds. We noted the Board approved the transfer of the Class of 2021 monies of \$8,756.59 to the Class of 2022 upon the recommendation of the Treasurer. However, there was no documentation that the Class of 2021 authorized this transfer. Also, Board policy 6610 states the disposing of monies shall be recommended by the Superintendent, not the Treasurer.

The District and/or Treasurer shall make transfers and advances in accordance with the aforementioned Ohio Revised Code provisions. All transfers and advances should be approved by the Board prior to being entered into the District's accounting system.

Official's Response: See the Corrective Action Plan

2. Account Posting and Classification Errors

FINDING NUMBER 2021-002

SIGNIFICANT DEFICIENCY

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

- The District recorded an accounting system adjustment, in the amount of \$43,570, prior to closing out for the year. The transaction was not included in the financial statements causing an understatement of general fund property tax revenue and cash.
- The District received \$37,411 for the Ohio Facilities Construction Commission Half Mill Equalization payment. The District posted the revenue to the General Fund instead of the OFCC Maintenance Fund. The District has corrected their accounting system fund balances for this error.
- The District received \$6,632 and \$81 for the Title V-B and Title IV-A programs respectively. The District posted the revenue to the Title I grant fund (572) instead of the Title VI-B (516) and Miscellaneous Federal Grants fund (599). The District has corrected their accounting system fund balances for this error.
- The District received \$13,581 for the tangible personal property debt purpose reimbursement. The District posted the revenue to the General Fund instead of the Bond Retirement Fund. The District has corrected their accounting system fund balances for this error.
- The District's GAAP financial statements overstated Classroom Facilities property tax revenue and fund expenditures in the amount of \$99,921 due to accounting system mispostings, subsequent additional corrections, and trial balance adjusting journal entries.
- The District received \$1,209 for cafeteria sales. The District posted the revenue as food service intergovernmental revenue instead of charges for services.
- In addition, there were hundreds of correcting entries noted during the year. Many were improperly done. As a result, the following differences were noted with intergovernmental revenues between the District's accounting system and the District's financial statements: General Fund intergovernmental revenue was understated on the financial statements by \$30,550. Also understated on the financial statements was the CARES Act fund (507) by \$22,174, Title VI-B (516) by \$9,255, Title I fund (572) by \$232,556, and the Miscellaneous Federal Grants fund (599) by \$24,303.

The District only corrected its financial statements for the intergovernmental revenue error in the Title I fund (572) of \$232,556.

The District lacked the internal control procedures to prevent, detect and correct this error.

The District should review the accounting system reports, GAAP compilation workpapers, and basic financial statements as applicable to help ensure all amounts are properly classified and recorded.

Official's Response: See the Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

4. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. The issue does not impact our GAGAS or Single Audit Compliance and Controls reports.

Overpayment of Former Treasurer - Finding for Recovery –Repaid Under Audit

FINDING NUMBER 2021-003

NONCOMPLIANCE

We noted the former District Treasurer, Carla Click, was overpaid for fiscal year 2021 and in fiscal year 2022.

For fiscal year 2021, Ms. Click was overpaid \$3,207 more than her salary allowed. In fiscal year 2022, the former Treasurer was paid a \$1,500 stipend for performing Comprehensive Continuous Improvement Plan (CCIP) grant duties for the entire year. Since, Ms. Click left employment with the District after half the school year, she was only entitled to \$750 of the stipend.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the former Treasurer, Carla Click, and the Auto-Owners Mutual Insurance Company, her bonding company, for \$3,957 and in favor of the Newton Falls Exempted Village School District's General Fund.

Ms. Click has repaid the District in full.

NEWTON FALLS EXEMPTED VILLAGE SCHOOLS
 Administrative Offices 909½ Milton Boulevard, Newton Falls, OH 44444

Justin Christopher, Interim
 Superintendent of Schools
 Phone: (330) 872-5445
 Fax: (330) 872-3351
christopherj@nfschools.org



Terry Armstrong
 Treasurer
 Phone: (330) 872-0862
armstrongt@nfschools.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 2 CFR 200.511(b)
 JUNE 30, 2021

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---------------|-------------------------------|
| 2020-001 | Appropriations exceed estimated resources | Corrected | |
| 2020-002 | Negative fund balances | Repeated | in the Management Letter |

Respectfully,

Terry Armstrong, Treasurer
 Newton Falls Exempted Village School District

Justin Christopher, Superintendent
 Newton Falls Exempted Village School District

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Administrative Offices 909½ Milton Boulevard, Newton Falls, OH 44444

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christopherj@nfschools.org



Terry Armstrong
Treasurer
Phone: (330) 872-0862
armstrongt@nfschools.org

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2021

Finding Number: 2021-001
Planned Corrective Action: Transfers and advances
Anticipated Completion Date: Corrections made to FY22 transfers and advances that were not specified in board minutes. As of July 1, 2022 transfers and advances that were known to be insufficient in terms of approvals were fixed and moving forward in FY23 all transfers and advances will be approved by the board and specified in board minutes.

Responsible Contact Person: Terry Armstrong, Treasurer

Finding Number: 2021-002
Planned Corrective Action: Account Posting and Classification Errors
Anticipated Completion Date: Corrections made to FY22 classification errors that were known to be incorrect. As of July 1, 2022 account posting and classification errors were corrected including those specified by representatives of the Auditor of State.

Responsible Contact Person: Terry Armstrong, Treasurer

Respectfully,

Terry Armstrong, Treasurer
Newton Falls Exempted Village School District

Justin Christopher, Superintendent
Newton Falls Exempted Village School District

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OHIO AUDITOR OF STATE KEITH FABER



NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT

TRUMBULL 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 9/29/2022

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

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