



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2023

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 325 • 618 Tenth Street, Suite 103 • Huntington, WV 25708 • (304) 521-2648 • FAX (888) 900-1264

www.bhmcpagroup.com

OHIO AUDITOR OF STATE
KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Education
Newton Falls Exempted Village School District
909 1/2 Milton Blvd.
Newton Falls, Ohio 44444

We have reviewed the *Independent Auditor's Report* of the Newton Falls Exempted Village School District, Trumbull County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

The Auditor of State is conducting an investigation, which is on-going as of the date of this report. Dependent on the outcome of the investigation, results may be reported on at a later date.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Newton Falls Exempted Village School District is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

September 10, 2024

This page intentionally left blank.

Newton Falls Exempted Village School District
Trumbull County
For the Year Ended June 30, 2023
Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities.....	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund.....	20
Notes to the Basic Financial Statements	21
Required Supplementary Information	
Schedule of the School District’s Proportionate Share of Net Pension Liability - School Employees Retirement System of Ohio – Last Ten Fiscal Years	64
Schedule of the School District’s Proportionate Share of Net OPEB Liability - School Employees Retirement System of Ohio – Last Seven Fiscal Years.....	66
Schedule of the School District’s Proportionate Share of Net Pension Liability - State Teachers Retirement System of Ohio – Last Ten Fiscal Years	68
Schedule of the School District’s Proportionate Share of Net OPEB (Asset) Liability - State Teachers Retirement System of Ohio – Last Seven Fiscal Years	70
Schedule of the School District’s Contributions - School Employees Retirement System of Ohio – Last Ten Fiscal Years	72
Schedule of the School District’s Contributions - State Teachers Retirement System of Ohio – Last Ten Fiscal Years	74

Newton Falls Exempted Village School District
Trumbull County
For the Year Ended June 30, 2023
Table of Contents
(continued)

<u>TITLE</u>	<u>PAGE</u>
Notes to Required Supplementary Information	76
Schedule of Expenditures of Federal Awards.....	81
Notes to the Schedule of Expenditures of Federal Awards.....	82
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	83
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.....	85
Schedule of Findings.....	88



INDEPENDENT AUDITOR'S REPORT

Newton Falls Exempted Village School District
Trumbull County
909 1/2 Milton Blvd
Newton Falls, OH 44444

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton Falls Exempted Village School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Falls Exempted Village School District, Trumbull County, Ohio as of June 30, 2023, and 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

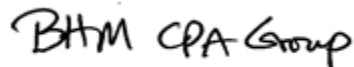
Supplementary information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Circleville, Ohio
June 24, 2024

THIS PAGE IS INTENTIONALLY LEFT BLANK

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
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, 2023. 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 has increased slightly from 897 in fiscal year 2022 to 900 in fiscal year 2023.
- Net position decreased in fiscal year 2023 due primarily to increases in current liabilities and the net pension liability. These were partially offset by a decrease in deferred inflows of resources related to the net pension liability.
- The School District's capital asset additions included significant additions to all classes except land, books and intangible assets. At fiscal year end, the School District had an ongoing lighting and chillers upgrade project.
- The School District actively pursues grants and works to control expenses while 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.

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).

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited*

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.

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 for fiscal year 2023 is the general fund.

Governmental Funds 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 2023 compared to 2022.

Newton Falls Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

Table 1			
Net Position			
Governmental Activities			
	2023	Restated 2022	Change
Assets			
Current and Other Assets	\$9,381,943	\$9,855,977	(\$474,034)
Net OPEB Asset	1,055,328	833,396	221,932
Capital Assets, Net	<u>9,051,461</u>	<u>9,549,698</u>	<u>(498,237)</u>
<i>Total Assets</i>	<u>19,488,732</u>	<u>20,239,071</u>	<u>(750,339)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	1,674	5,692	(4,018)
Pension	3,241,038	3,044,770	196,268
OPEB	<u>365,277</u>	<u>325,746</u>	<u>39,531</u>
<i>Total Deferred Outflows of Resources</i>	<u>3,607,989</u>	<u>3,376,208</u>	<u>231,781</u>
Liabilities			
Current Liabilities	1,715,940	1,420,765	295,175
Long-Term Liabilities			
Due Within One Year	431,285	532,470	(101,185)
Due In More Than One Year			
Net Pension Liability	11,567,485	6,606,083	4,961,402
Net OPEB Liability	664,390	828,129	(163,739)
Other Amounts	<u>1,383,709</u>	<u>1,874,645</u>	<u>(490,936)</u>
<i>Total Liabilities</i>	<u>15,762,809</u>	<u>11,262,092</u>	<u>4,500,717</u>
Deferred Inflows of Resources			
Property Taxes	3,610,946	4,045,449	434,503
Pension	1,140,552	5,726,398	4,585,846
OPEB	1,727,078	1,600,022	(127,056)
Leases	<u>49,072</u>	<u>0</u>	<u>(49,072)</u>
<i>Total Deferred Inflows of Resources</i>	<u>6,527,648</u>	<u>11,371,869</u>	<u>4,844,221</u>
Net Position			
Net Investment in Capital Assets	7,930,760	8,182,126	(251,366)
Restricted for:			
Capital Projects	99,041	99,041	0
Debt Service	509,100	684,640	(175,540)
Other Purposes	1,122,150	957,728	164,422
OPEB Plans	173,830	0	173,830
Unrestricted (Deficit)	<u>(9,028,617)</u>	<u>(8,942,217)</u>	<u>(86,400)</u>
<i>Total Net Position</i>	<u>\$806,264</u>	<u>\$981,318</u>	<u>(\$175,054)</u>

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited*

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2023. 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 decreased due to a decrease in property taxes receivable as a result of the expiration of the School District’s bond levy. However, cash and cash equivalents increased as revenues continue to outpace expenses and as the School District continued careful cost cutting measures to reduce cash basis instructional expenses. The School District also had an increase in intergovernmental receivables resulting from the collection of additional grants and a refund due from the Trumbull County Education Service Center. The decrease in capital assets was due to depreciation exceeding current year additions.

Current liabilities increased during fiscal year 2023 due to increases in contracts and intergovernmental payables due to the timing of the receipt of bills from vendors and the ongoing construction project at year end. Outstanding long-term obligations increased due to an increase in net pension liability during fiscal year 2023.

Net position decreased from the prior fiscal year due to the items mentioned above as well as changes in the net pension liability, which was offset by decreases in the deferred inflows of resources related to the net pension liability.

Table 2 shows the changes in net position for fiscal year 2023 compared to 2022.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited*

Table 2
Change in Net Position
Governmental Activities

	2023	Restated 2022	Change
Program Revenues			
Charges for Services and Sales	\$472,541	\$296,151	\$176,390
Operating Grants, Contributions and Interest	2,564,643	4,286,400	(1,721,757)
<i>Total Program Revenues</i>	<u>3,037,184</u>	<u>4,582,551</u>	<u>(1,545,367)</u>
General Revenues			
Property Taxes	3,197,460	3,934,863	(737,403)
Grants and Entitlements	7,052,736	7,011,938	40,798
Unrestricted Contributions	26	1,175	(1,149)
Investment Earnings/Interest	40,899	1,224	39,675
Miscellaneous	305,265	248,109	57,156
<i>Total General Revenues</i>	<u>10,596,386</u>	<u>11,197,309</u>	<u>(600,923)</u>
<i>Total Revenues</i>	<u>13,633,570</u>	<u>15,779,860</u>	<u>(2,146,290)</u>
Program Expenses			
Instruction:			
Regular	5,333,840	4,576,839	757,001
Special	2,442,018	2,428,125	13,893
Vocational	252,265	187,837	64,428
Adult/Continuing	2,000	2,595	(595)
Student Intervention Services	26,411	0	26,411
Support Services:			
Pupils	1,013,084	505,907	507,177
Instructional Staff	76,150	901,054	(824,904)
Board of Education	56,392	143,918	(87,526)
Administration	1,083,199	992,452	90,747
Fiscal	466,832	367,223	99,609
Business	124,551	176,006	(51,455)
Operation and Maintenance of Plant	1,263,834	2,006,744	(742,910)
Pupil Transportation	447,810	639,967	(192,157)
Central	231,604	234,574	(2,970)
Operation of Food Service	579,613	529,014	50,599
Extracurricular Activities	380,837	533,150	(152,313)
Interest	28,184	76,923	(48,739)
<i>Total Program Expenses</i>	<u>13,808,624</u>	<u>14,302,328</u>	<u>(493,704)</u>
<i>Change in Net Position</i>	<u>(175,054)</u>	<u>1,477,532</u>	<u>(1,652,586)</u>
Net Position Beginning of Year	981,318	(496,214)	1,477,532
Net Position End of Year	<u>\$806,264</u>	<u>\$981,318</u>	<u>(\$175,054)</u>

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited*

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.

Program revenues decreased for governmental activities in fiscal year 2023. Charges for services and sales increased due to an increase in tuition and fees and extracurricular activities revenues as School District operations continued to return to pre-pandemic activity and additional services provided. Operating grants and contributions decreased due to a decrease in the amount of COVID funding available to the School District during the fiscal year. The School District continues to seek out restricted grant monies as additional sources of operating revenues. General revenues decreased in fiscal year 2023 resulting from a decrease in property tax collections due to the previously mentioned expiration of the School District's bond levy. The increase in investment earnings/interest is a result of an upturn in economic conditions, which resulted in a greater return on investments.

Program expenses decreased from the prior fiscal year due to cost cutting measures implemented by the School District. These measures were able to offset changes in the net pension/OPEB liabilities and a two percent increase in base salary for both certified and classified staff.

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 2023 compared to 2022.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2023		2022	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction Expenses	\$8,056,534	\$6,296,055	\$7,195,396	\$5,169,019
Support Services:				
Pupils and Instructional Staff	1,089,234	789,382	1,406,961	516,132
Board of Education and Administration	1,139,591	1,137,201	1,136,370	1,135,881
Fiscal and Business	591,383	567,033	543,229	543,229
Operation and Maintenance of Plant	1,263,834	975,795	2,006,744	1,600,463
Pupil Transportation and Central	679,414	664,562	874,541	793,316
Operation of Food Service	579,613	75,391	529,014	(402,253)
Extracurricular Activities	380,837	237,837	533,150	287,067
Interest	28,184	28,184	76,923	76,923
Total	\$13,808,624	\$10,771,440	\$14,302,328	\$9,719,777

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.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited*

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major fund begins with the balance sheet. This fund is 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. Instructional expenditures were lower due to continuing cost cutting efforts by the School District during fiscal year 2023.

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 2023, 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 less than the original budget estimate. The change was attributed to a decrease in property tax estimates as a better picture of actual collections became apparent.

The final budget appropriations were less than the original budget appropriations for the general fund due to a decrease in estimated costs for instructional and support services. Actual expenditures plus encumbrances were more than the budget amounts. 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 2023, the School District's capital asset additions included significant additions to all categories except land, books and intangible assets. There is an ongoing construction project for a lighting and chiller upgrade project. Current year disposals consisted of buses, a pickup truck and a variety of machinery and equipment. 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.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited*

In 2021, the School District entered into another five year lease agreement of \$119,349 for the acquisition of copiers.

The School District's overall legal debt margin was \$11,746,967 with an unvoted debt margin of \$135,139. For more information about the School District's long-term obligations, see Note 11 to the basic financial statements.

School District Outlook

The Board of Education and administration closely monitors revenues and expenditures to make sure they align with the five year forecast and continuously review financial transactions and planning. Similar to many school districts and communities in the Mahoning Valley the School District has been faced with a population negatively impacted by the loss of high wage jobs. The School District will continue to work to maximize revenue through all sources and plan expenditures in a manner to provide maximum resources possible to meet the needs of our students.

The School District does have one of the lowest millage rates for property taxes in Trumbull County but does expect significant increases in State funding in the next two year budget cycle. The School District will monitor the progress being made regarding the Fair School Funding Plan (FSFP) to determine any increases in funding that will be dependent on the how the rest the FSFP is phased in. Spending adjustments will also need to continue due to the funds from ESSER/ARP being utilized and not wanting to have any legacy costs from those expenses.

In conclusion, the School District's system of budgeting and internal controls is well regarded and will continue to work towards improvement.

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, 2023

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,587,516
Accrued Interest Receivable	9,014
Intergovernmental Receivable	533,397
Prepaid Items	17,631
Inventory Held for Resale	5,857
Materials and Supplies Inventory	1,895
Property Taxes Receivable	4,177,561
Leases Receivable	49,072
Net OPEB Asset (See Note 17)	1,055,328
Nondepreciable Capital Assets	208,472
Depreciable Capital Assets, Net	8,842,989
<i>Total Assets</i>	19,488,732
Deferred Outflows of Resources	
Deferred Charge on Refunding	1,674
Pension	3,241,038
OPEB	365,277
<i>Total Deferred Outflows of Resources</i>	3,607,989
Liabilities	
Accounts Payable	64,604
Contracts Payable	127,653
Accrued Wages and Benefits	973,358
Retainage Payable	9,217
Intergovernmental Payable	381,556
Matured Compensated Absences Payable	78,531
Unearned Revenue	78,340
Accrued Interest Payable	2,681
Long-Term Liabilities:	
Due Within One Year	431,285
Due In More Than One Year:	
Net Pension Liability (See Note 16)	11,567,485
Net OPEB Liability (See Note 17)	664,390
Other Amounts	1,383,709
<i>Total Liabilities</i>	15,762,809
Deferred Inflows of Resources	
Property Taxes	3,610,946
Pension	1,140,552
OPEB	1,727,078
Leases	49,072
<i>Total Deferred Inflows of Resources</i>	6,527,648
Net Position	
Net Investment in Capital Assets	7,930,760
Restricted for:	
Capital Projects	99,041
Debt Service	509,100
Other Purposes	1,122,150
OPEB Plans	173,830
Unrestricted (Deficit)	(9,028,617)
<i>Total Net Position</i>	\$806,264

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2023

	Program Revenues		Net (Expense)	
	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position	
Expenses			Governmental Activities	
Governmental Activities				
Instruction:				
Regular	\$5,333,840	\$111,464	\$507,151	(\$4,715,225)
Special	2,442,018	48,483	945,294	(1,448,241)
Vocational	252,265	4,167	123,188	(124,910)
Adult/Continuing	2,000	0	0	(2,000)
Student Intervention Services	26,411	139	20,593	(5,679)
Support Services:				
Pupils	1,013,084	0	261,957	(751,127)
Instructional Staff	76,150	0	37,895	(38,255)
Board of Education	56,392	0	0	(56,392)
Administration	1,083,199	0	2,390	(1,080,809)
Fiscal	466,832	0	0	(466,832)
Business	124,551	24,350	0	(100,201)
Operation and Maintenance of Plant	1,263,834	0	288,039	(975,795)
Pupil Transportation	447,810	0	1,475	(446,335)
Central	231,604	0	13,377	(218,227)
Operation of Food Service	579,613	144,641	359,581	(75,391)
Extracurricular Activities	380,837	139,297	3,703	(237,837)
Interest	28,184	0	0	(28,184)
<i>Totals</i>	<u>\$13,808,624</u>	<u>\$472,541</u>	<u>\$2,564,643</u>	<u>(10,771,440)</u>
General Revenues				
Property Taxes Levied for:				
				3,108,201
				51,238
				38,021
Grants and Entitlements not Restricted to Specific Programs				7,052,736
Unrestricted Contributions				26
Investment Earnings/Interest				40,899
Miscellaneous				<u>305,265</u>
<i>Total General Revenues</i>				<u>10,596,386</u>
Change in Net Position				(175,054)
<i>Net Position Beginning of Year Restated - (See Note 21)</i>				<u>981,318</u>
<i>Net Position End of Year</i>				<u><u>\$806,264</u></u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

*Balance Sheet
Governmental Funds
June 30, 2023*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and			
Cash Equivalents	\$2,748,797	\$1,838,719	\$4,587,516
Accrued Interest Receivable	9,014	0	9,014
Intergovernmental Receivable	165,364	368,033	533,397
Interfund Receivable	144,479	0	144,479
Inventory Held for Resale	0	5,857	5,857
Materials and Supplies Inventory	0	1,895	1,895
Property Taxes Receivable	4,125,365	52,196	4,177,561
Leases Receivable	49,072	0	49,072
Prepaid Items	17,631	0	17,631
<i>Total Assets</i>	<u>\$7,259,722</u>	<u>\$2,266,700</u>	<u>\$9,526,422</u>
Liabilities			
Accounts Payable	\$45,228	\$19,376	\$64,604
Contracts Payable	21,658	105,995	127,653
Retainage Payable	0	9,217	9,217
Accrued Wages and Benefits	797,297	176,061	973,358
Interfund Payable	0	144,479	144,479
Intergovernmental Payable	324,033	57,523	381,556
Matured Compensated Absences Payable	78,531	0	78,531
Unearned Revenue	0	78,340	78,340
<i>Total Liabilities</i>	<u>1,266,747</u>	<u>590,991</u>	<u>1,857,738</u>
Deferred Inflows of Resources			
Property Taxes	3,565,655	45,291	3,610,946
Unavailable Revenue	541,847	12,428	554,275
Leases	49,072	0	49,072
<i>Total Deferred Inflows of Resources</i>	<u>4,156,574</u>	<u>57,719</u>	<u>4,214,293</u>
Fund Balances			
Nonspendable	17,631	1,895	19,526
Restricted	0	1,622,339	1,622,339
Assigned	1,818,770	0	1,818,770
Unassigned (Deficit)	0	(6,244)	(6,244)
<i>Total Fund Balances</i>	<u>1,836,401</u>	<u>1,617,990</u>	<u>3,454,391</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$7,259,722</u>	<u>\$2,266,700</u>	<u>\$9,526,422</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, 2023*

Total Governmental Fund Balances	\$3,454,391
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,051,461
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	
Delinquent Property Taxes	507,432
Intergovernmental	6,244
Tuition and Fees	40,599
Total	554,275
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(2,681)
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	1,055,328
Deferred Outflows - Pension	3,241,038
Deferred Outflows - OPEB	365,277
Net Pension Liability	(11,567,485)
Net OPEB Liability	(664,390)
Deferred Inflows - Pension	(1,140,552)
Deferred Inflows - OPEB	(1,727,078)
Total	(10,437,862)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(957,912)
Leases	(61,909)
Special Termination Benefits	(104,270)
Compensated Absences	(690,903)
Deferred Charge on Refunding	1,674
Total	(1,813,320)
<i>Net Position of Governmental Activities</i>	\$806,264

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, 2023

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$3,686,561	\$216,463	\$3,903,024
Intergovernmental	7,664,883	2,234,067	9,898,950
Investment Earnings/Interest	40,899	2,135	43,034
Tuition and Fees	141,918	0	141,918
Extracurricular Activities	30,730	108,567	139,297
Contributions and Donations	26	8,523	8,549
Charges for Services	0	144,641	144,641
Rentals	24,350	0	24,350
Lease Revenue	17,450	0	17,450
Miscellaneous	302,640	2,625	305,265
<i>Total Revenues</i>	<u>11,909,457</u>	<u>2,717,021</u>	<u>14,626,478</u>
Expenditures			
Current:			
Instruction:			
Regular	4,084,694	449,160	4,533,854
Special	2,071,688	377,062	2,448,750
Vocational	177,373	74,513	251,886
Adult/Continuing	0	2,000	2,000
Student Intervention Services	5,947	20,464	26,411
Support Services:			
Pupils	683,017	286,014	969,031
Instructional Staff	49,141	38,088	87,229
Board of Education	57,152	0	57,152
Administration	1,131,406	2,386	1,133,792
Fiscal	483,323	3,926	487,249
Business	124,929	0	124,929
Operation and Maintenance of Plant	1,281,644	411,689	1,693,333
Pupil Transportation	500,863	1,466	502,329
Central	216,087	13,341	229,428
Operation of Food Service	0	616,995	616,995
Extracurricular Activities	207,261	253,685	460,946
Debt Service:			
Principal Retirement	23,493	330,000	353,493
Interest	2,241	37,125	39,366
<i>Total Expenditures</i>	<u>11,100,259</u>	<u>2,917,914</u>	<u>14,018,173</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>809,198</u>	<u>(200,893)</u>	<u>608,305</u>
Other Financing Sources (Uses)			
Transfers In	0	503,475	503,475
Transfers Out	(503,475)	0	(503,475)
<i>Total Other Financing Sources (Uses)</i>	<u>(503,475)</u>	<u>503,475</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	305,723	302,582	608,305
<i>Fund Balances Beginning of Year</i>	<u>1,530,678</u>	<u>1,315,408</u>	<u>2,846,086</u>
<i>Fund Balances End of Year</i>	<u>\$1,836,401</u>	<u>\$1,617,990</u>	<u>\$3,454,391</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, 2023*

Net Change in Fund Balances - Total Governmental Funds \$608,305

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	603,626	
Current Year Depreciation	(1,051,160)	
Total		(447,534)

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. (50,703)

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

Delinquent Property Taxes	(705,564)	
Intergovernmental	(292,229)	
Tuition and Fees	4,885	
Total		(992,908)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 353,493

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	825	
Amortization of Premium on Bonds	14,375	
Amortization of Deferred Charge on Refunding	(4,018)	
Total		11,182

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

Pension	970,803	
OPEB	33,451	
Total		1,004,254

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	(1,150,091)	
OPEB	264,695	
Total		(885,396)

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	(63,878)	
Compensated Absences	288,131	
Total		224,253

Change in Net Position of Governmental Activities (\$175,054)

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$3,572,663	\$3,529,384	\$3,640,037	\$110,653
Intergovernmental	7,570,195	7,478,491	7,712,956	234,465
Interest	29,711	29,351	30,271	920
Tuition and Fees	139,291	137,604	141,918	4,314
Contributions and Donations	26	25	26	1
Rentals	43,529	43,002	44,350	1,348
Miscellaneous	259,248	256,107	264,136	8,029
<i>Total Revenues</i>	<u>11,614,663</u>	<u>11,473,964</u>	<u>11,833,694</u>	<u>359,730</u>
Expenditures				
Current:				
Instruction:				
Regular	4,041,008	4,004,469	4,046,920	(42,451)
Special	2,146,125	2,126,843	2,143,273	(16,430)
Vocational	180,679	179,056	180,490	(1,434)
Student Intervention Services	1,367	1,355	6,333	(4,978)
Support Services:				
Pupils	683,347	677,207	671,829	5,378
Instructional Staff	55,427	54,929	58,519	(3,590)
Board of Education	57,704	57,186	92,275	(35,089)
Administration	1,132,207	1,122,034	1,214,744	(92,710)
Fiscal	446,395	442,384	485,689	(43,305)
Business	140,437	139,175	136,924	2,251
Operation and Maintenance of Plant	1,358,308	1,346,104	2,081,681	(735,577)
Pupil Transportation	498,270	493,793	678,634	(184,841)
Central	222,634	220,633	224,925	(4,292)
Extracurricular Activities	139,615	138,361	136,123	2,238
Debt Service:				
Principal	23,493	23,493	23,493	0
Interest	2,241	2,241	2,241	0
<i>Total Expenditures</i>	<u>11,129,257</u>	<u>11,029,263</u>	<u>12,184,093</u>	<u>(1,154,830)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>485,406</u>	<u>444,701</u>	<u>(350,399)</u>	<u>(795,100)</u>
Other Financing Sources (Uses)				
Advances In	166,752	164,732	169,897	5,165
Advances Out	0	(144,479)	(144,479)	0
Transfers Out	(706,346)	(555,520)	(544,198)	11,322
<i>Total Other Financing Sources (Uses)</i>	<u>(539,594)</u>	<u>(535,267)</u>	<u>(518,780)</u>	<u>16,487</u>
<i>Net Change in Fund Balance</i>	(54,188)	(90,566)	(869,179)	(778,613)
<i>Fund Balance Beginning of Year</i>	2,158,827	2,158,827	2,158,827	0
Prior Year Encumbrances Appropriated	37,703	37,703	37,703	0
<i>Fund Balance End of Year</i>	<u>\$2,142,342</u>	<u>\$2,105,964</u>	<u>\$1,327,351</u>	<u>(\$778,613)</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, 2023*

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 40 classified employees, 68 certificated full and part-time teaching, 3 school counselors, 6 administrators and 4 supervisors who provide services to approximately 900 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.

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 Ohio Schools Council Workers' Compensation Group Retrospective Rating Program, the Trumbull County Schools Employee Insurance Benefits Consortium, the Northeast Ohio Management Information Network and the Trumbull County Career and Technical Center. These organizations are presented in Notes 13 and 14 to the basic financial statements.

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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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.

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 general fund 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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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.

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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Unearned Revenue Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The School District recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

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 assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for 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 16 and 17.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. The deferred inflow for leases is related to the leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and 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 16 and 17).

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.

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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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 2023, 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 fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings/interest revenue credited to the general fund during fiscal year 2023 amounted to \$40,899, \$14,091 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, 2023, 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.

All capital assets (except for intangible right-to-use lease assets are discussed below) 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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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

Description	Activities Estimated Lives
Land Improvements	20 years
Building and Improvements	15 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	10 - 20 years
Textbooks	15 years
Intangible Right to Use Asset - Equipment	5 - 10 years

The School District is reporting intangible right to use assets related to lease assets. The lease assets include equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. These intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the lease term or useful life of the underlying asset.

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.

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, leases, and long-term loans are recognized as a liability on the governmental fund financial statements when due.

Leases

The School District serves as both lessee and lessor in various noncancellable leases which are accounted for as follows:

Lessee At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount for the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor At the commencement of a lease, the School District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payment received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for the lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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.

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. State statute authorized the Treasurer to assign fund balance for purchase on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for administrative purposes and to cover a gap between estimated revenues and appropriations in fiscal year 2024's budget.

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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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. Restricted net position for OPEB plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows. 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.

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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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.

Note 3 – Accountability and Compliance

Accountability

At June 30, 2023, the title I special revenue fund has a \$6,244 deficit fund balance. This deficit is caused by the recognition of payables in accordance with generally accepted accounting principles. The general fund provides transfer to cover deficit balances; however, this is done when cash is needed rather than when the accruals occur.

Compliance

The general fund had expenditures plus encumbrances in excess of appropriations, contrary to Ohio Revised Code Section 5705.41 in the amount of \$1,143,508.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Note 4 – 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	\$17,631	\$0	\$17,631
Materials and Supplies Inventory	0	1,895	1,895
<i>Total Nonspendable</i>	<u>17,631</u>	<u>1,895</u>	<u>19,526</u>
<i>Restricted for</i>			
Food Service Operations	0	534,160	534,160
Special Trust	0	79,705	79,705
Local Grants	0	380	380
Classroom Facilities Maintenance	0	170,481	170,481
Student Managed Activity	0	29,470	29,470
Athletics	0	76,282	76,282
Auxiliary Services	0	980	980
Data and Information Systems	0	589	589
Student Wellness	0	1	1
Miscellaneous State Grants	0	602	602
Miscellaneous Federal Grants	0	106,209	106,209
Debt Service Payments	0	524,439	524,439
Capital Improvements	0	99,041	99,041
<i>Total Restricted</i>	<u>0</u>	<u>1,622,339</u>	<u>1,622,339</u>
<i>Assigned to</i>			
Administrative	323,278	0	323,278
Fiscal Year 2024 Operations	258,693	0	258,693
Purchases on Order:			
Instruction	159,208	0	159,208
Support Services	1,077,591	0	1,077,591
<i>Total Assigned</i>	<u>1,818,770</u>	<u>0</u>	<u>1,818,770</u>
<i>Unassigned (Deficit)</i>	<u>0</u>	<u>(6,244)</u>	<u>(6,244)</u>
<i>Total Fund Balances</i>	<u><u>\$1,836,401</u></u>	<u><u>\$1,617,990</u></u>	<u><u>\$3,454,391</u></u>

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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 public school support, workers' compensation and termination 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).
6. Unrecorded cash represents amount received but not reported by the School District on the operating statements (budget), but which is reported on the GAAP basis operating statements.

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	\$305,723
Net Adjustment for Revenue Accruals	75,900
Advances In	169,897
Ending Unrecorded Cash	1,738
Perspective Difference:	
Public School Support	3,222
Workers' Compensation	40,854
Termination	10,854
Net Adjustment for Expenditure Accruals	15,991
Advances Out	(144,479)
Encumbrances	(1,348,879)
Budget Basis	<u>(\$869,179)</u>

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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, 2023*

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, 2023, \$1,131,482 of the School District's total bank balance of \$4,496,300 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 50 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, 2023, the School District had STAR Ohio as the only investment with an amount of \$395,361, which is measured at net asset value per share. The average maturity is 38.5 days.

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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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 2023 represent the collection of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed values as of January 1, 2022, 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 2023 represent the collection of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, 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, 2023, are available to finance fiscal year 2023 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, 2023 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.

The amount available as an advance at June 30, 2023, was \$58,462 in the general fund and \$721 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2022, was \$11,938 in the general fund, \$150 in the classroom facilities maintenance special revenue fund and \$1,325 in the bond retirement fund.

The assessed values upon which the fiscal year 2023 taxes were collected are:

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

	2022 Second Half Collections		2023 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$131,078,940	97.31%	\$134,341,470	97.25%
Public Utility Personal	3,626,880	2.69	3,797,730	2.75
Total	<u>\$134,705,820</u>	<u>100.00%</u>	<u>\$138,139,200</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$44.25		\$40.65	

The School District’s full tax rate decreased from the prior year due to the expiration of the bond levy and due to the increase in assessed values in order for the emergency levies to collect their fixed amounts.

Note 8 - Receivables

Receivables at June 30, 2023, consisted of taxes, interfund, accrued interest, leases 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 and leases 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
Elementary/Secondary School Relief Grant	\$210,005
Medicaid Reimbursements	85,231
Title I Grant	77,850
Title VI-B Grant	73,669
Foundation Adjustments	40,599
Trumbull County Educational Service Center	39,534
Title II-A	6,509
Total	<u>\$533,397</u>

Leases Receivable

The School District is reporting leases receivable of \$49,072 in the general fund at June 30, 2023. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For fiscal year 2023, the School District recognized lease revenue of \$17,450 and interest revenue of \$2,550 in the general fund related to lease payments received. These lease revenue amounts exclude short-term leases. A description of the School District’s leasing arrangements is as follows:

Building Space Lease – The School District has entered into various lease agreements for building space with Tiny Tots Preschool for a three year term from September 2022 through August 2025. The School District is receiving monthly payments.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

A summary of future lease amounts receivable is as follows:

Year	General Fund	
	Principal	Interest
2024	\$21,963	\$2,037
2025	23,135	865
2026	3,974	26
	<u>\$49,072</u>	<u>\$2,928</u>

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Restated Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Nondepreciable Capital Assets				
Land	\$58,300	\$0	\$0	\$58,300
Construction in Progress	0	150,172	0	150,172
<i>Capital Assets</i>	<u>58,300</u>	<u>150,172</u>	<u>0</u>	<u>208,472</u>
Depreciable Capital Assets				
Land Improvements	385,291	87,762	0	473,053
Buildings and Improvements	29,129,943	69,964	0	29,199,907
Furniture and Fixtures	1,733,653	37,125	(526,305)	1,244,473
Vehicles	996,714	258,603	(274,540)	980,777
Textbooks	953,225	0	0	953,225
Intangible Right to Use Lease - Equipment**	108,203	0	0	108,203
<i>Total at Historical Cost</i>	<u>33,307,029</u>	<u>453,454</u>	<u>(800,845)</u>	<u>32,959,638</u>
Less: Accumulated Depreciation/Amortization				
Land Improvements	(229,756)	(18,766)	0	(248,522)
Buildings and Improvements	(20,450,263)	(754,106)	0	(21,204,369)
Furniture and Fixtures	(1,491,303)	(61,569)	508,051	(1,044,821)
Vehicles	(664,033)	(189,668)	242,091	(611,610)
Textbooks	(953,225)	0	0	(953,225)
Intangible Right to Use Lease - Equipment**	(27,051)	(27,051)	0	(54,102)
<i>Total Accumulated Depreciation/Amortization</i>	<u>(23,815,631)</u>	<u>(1,051,160) *</u>	<u>750,142</u>	<u>(24,116,649)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation/Amortization</i>	<u>9,491,398</u>	<u>(597,706)</u>	<u>(50,703)</u>	<u>8,842,989</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$9,549,698</u>	<u>(\$447,534)</u>	<u>(\$50,703)</u>	<u>\$9,051,461</u>

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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

Instruction	
Regular	\$798,971
Support Services	
Administration	5,753
Operation and Maintenance of Plant	46,095
Pupil Transportation	187,793
Central	443
Operation of Food Service	3,880
Extracurricular Activities	8,225
Total Depreciation/Amortization Expense	<u>\$1,051,160</u>

** Of the current year depreciation total of \$1,051,160, \$27,051 is presented as regular instruction expense on the Statement of Activities related to the School District’s intangible asset of copiers, which is included as an Intangible Right to Use – Equipment.

Note 10 - 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, 2023, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2023 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2023 financial statements is not determinable, at this time. Management believes that this may result in either an additional receivable to, or a 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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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 2023 were as follows:

	<u>Principal Outstanding June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30, 2023</u>	<u>Amount Due in One Year</u>
Governmental Activities					
General Obligation Bonds					
2012 Various Purpose Refunding Bonds					
Serial Bonds	\$530,000	\$0	(\$260,000)	\$270,000	\$270,000
Premium	17,862	0	(12,608)	5,254	0
Total 2012 Various Purpose Refunding Bonds	547,862	0	(272,608)	275,254	270,000
2015 LTGO Energy Conservation Bonds					
Term Bonds	740,000	0	(70,000)	670,000	75,000
Premium	14,425	0	(1,767)	12,658	0
Total 2015 LTGO Energy Conservation Bonds	754,425	0	(71,767)	682,658	75,000
<i>Total General Obligation Bonds</i>	1,302,287	0	(344,375)	957,912	345,000
Other Long-term Obligations					
Net Pension Liability:					
SERS	1,552,194	955,013	0	2,507,207	0
STRS	5,053,889	4,006,389	0	9,060,278	0
<i>Total Net Pension Liability</i>	6,606,083	4,961,402	0	11,567,485	0
Net OPEB Liability:					
SERS	828,129	0	(163,739)	664,390	0
Lease	85,402	0	(23,493)	61,909	24,208
Special Termination Benefits	40,392	95,000	(31,122)	104,270	44,270
Compensated Absences	979,034	0	(288,131)	690,903	17,807
<i>Total Other Long-term Obligations</i>	8,539,040	5,056,402	(506,485)	13,088,957	86,285
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$9,841,327</u>	<u>\$5,056,402</u>	<u>(\$850,860)</u>	<u>\$14,046,869</u>	<u>\$431,285</u>

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, 2023, \$550,000 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, 2023*

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.

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, athletics, elementary and secondary school emergency relief, title VI-B and title I grants special revenue funds. For additional information related to the net pension and net OPEB liabilities see Notes 16 and 17.

The School District has outstanding agreement to lease copiers. The future lease payments were discounted based on the interest rate implicit in the lease or using the School District’s incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. The lease will be paid from the general fund. A summary of the principal and interest amounts for the remaining leases is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$24,208	\$1,526
2025	24,945	790
2026	12,756	112
	<u>\$61,909</u>	<u>\$2,428</u>

The overall debt margin of the School District as of June 30, 2023, was \$11,746,967 with an unvoted debt margin of \$135,139. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2023, are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>General Obligation Bonds</u>			
	<u>Serial</u>		<u>Term</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$270,000	\$4,050	\$75,000	\$22,950
2025	0	0	75,000	20,700
2026	0	0	80,000	18,175
2027	0	0	80,000	15,375
2028 - 2031	0	0	360,000	29,187
Total	<u>\$270,000</u>	<u>\$4,050</u>	<u>\$670,000</u>	<u>\$106,387</u>

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Note 12 - Interfund Balances and Transfers

Interfund Balances

Interfund Payable	Interfund Receivable General
<i>Other Governmental Funds:</i>	
Elementary and Secondary School Emergency Relief	\$72,513
Title VI-B	31,757
Title I	37,890
Reducing Class Size	2,319
Total	\$144,479

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

Transfers made during the fiscal year ended June 30, 2023 were as follows:

Transfers To	Transfers From General
<i>Other Governmental Funds:</i>	
Classroom Facilities Maintenance	\$72,630
Student Activities	1,501
Athletics and Music	173,794
Elementary and Secondary School Emergency Relief	116,863
Title VI-B	19,642
Title I	9,981
Title II-A	277
Miscellaneous Federal Grants	81
Bond Retirement	108,706
Total	\$503,475

The general fund transfer to the bond retirement debt service fund was to help cover current fiscal year debt service requirements. The remaining transfers from the general fund were to help provide funding for fiscal year 2023.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Note 13 – 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.

Note 14 - 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 \$37,392 to NEOMIN during fiscal year 2023.

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 2023. 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, 2023*

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 2023, the School District contracted for the following insurance coverage:

Company	Type of Coverage	Coverage Amount
Moore Risk Solutions	Building and Contents	\$72,813,779
	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 deductibl	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 \$1,903 for family coverage, \$1,155 for employee and child coverage, \$1,427 for employee and spouse coverage, and \$680 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. The School District also provides vision insurance through Medical Mutual.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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.

Worker's Compensation

For fiscal year 2023, the School District participated in the Ohio Schools Council Workers' Compensation Group Retrospective Rating Program, an insurance purchasing pool (Note 13). 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 - 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) represents the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The 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 17 for the required OPEB disclosures.

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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

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, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$240,974 for fiscal year 2023. Of this amount \$73,321 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 system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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 fifty and after termination of employment.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$729,829 for fiscal year 2023. Of this amount \$130,309 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, 2022, 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:

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04635440%	0.04075675%	
Prior Measurement Date	<u>0.04206820%</u>	<u>0.03952705%</u>	
Change in Proportionate Share	<u>0.00428620%</u>	<u>0.00122970%</u>	
Proportionate Share of the Net			
Pension Liability	\$2,507,207	\$9,060,278	\$11,567,485
Pension Expense	\$236,923	\$913,168	\$1,150,091

At June 30, 2023, 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	\$101,544	\$115,983	\$217,527
Changes of assumptions	24,739	1,084,243	1,108,982
Net difference between projected and actual earnings on pension plan investments	0	315,278	315,278
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	205,170	423,278	628,448
School District contributions subsequent to the measurement date	<u>240,974</u>	<u>729,829</u>	<u>970,803</u>
Total Deferred Outflows of Resources	<u>\$572,427</u>	<u>\$2,668,611</u>	<u>\$3,241,038</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$16,459	\$34,658	\$51,117
Changes of assumptions	0	816,123	816,123
Net difference between projected and actual earnings on pension plan investments	87,490	0	87,490
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>185,822</u>	<u>185,822</u>
Total Deferred Inflows of Resources	<u>\$103,949</u>	<u>\$1,036,603</u>	<u>\$1,140,552</u>

\$970,803 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Fiscal Year Ending June 30:	SERS	STRS	Total
2024	\$133,106	\$22,228	\$155,334
2025	73,984	67,708	141,692
2026	(124,981)	(106,616)	(231,597)
2027	145,395	918,859	1,064,254
Total	<u>\$227,504</u>	<u>\$902,179</u>	<u>\$1,129,683</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, 2022, are presented below:

	<u>June 30, 2022</u>
Inflation	2.4 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	100.00 %	

Discount Rate The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$3,690,488	\$2,507,207	\$1,510,308

Actuarial Assumptions – STRS

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

	June 30, 2022
Inflation	2.50 percent
Salary increases	From 2.5 percent to 12.5 percent based on age
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

For 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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

* Target allocation percentage is effective July 1, 2022.

Target weights were phased in over a 3 month period concluding on October 1, 2022

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

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$13,686,780	\$9,060,278	\$5,147,688

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Note 17 - Defined Benefit OPEB Plans

See Note 16 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 healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured 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. 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 2023, 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 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School District's surcharge obligation was \$33,451.

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 \$33,451 for fiscal year 2023. Of this amount \$33,451 is reported as an intergovernmental payable.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2022, 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	0.04732080%	0.04075675%	
Prior Measurement Date	<u>0.04375660%</u>	<u>0.03952705%</u>	
Change in Proportionate Share	<u>0.00356420%</u>	<u>0.00122970%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$664,390	\$0	\$664,390
Net OPEB (Asset)	\$0	(\$1,055,328)	(\$1,055,328)
OPEB Expense	(\$48,080)	(\$216,615)	(\$264,695)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$5,585	\$15,299	\$20,884
Changes of assumptions	105,680	44,954	150,634
Net difference between projected and actual earnings on OPEB plan investments	3,453	18,371	21,824
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	137,572	912	138,484
School District contributions subsequent to the measurement date	<u>33,451</u>	<u>0</u>	<u>33,451</u>
Total Deferred Outflows of Resources	<u><u>\$285,741</u></u>	<u><u>\$79,536</u></u>	<u><u>\$365,277</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$424,992	\$158,490	\$583,482
Changes of assumptions	272,737	748,329	1,021,066
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	<u>68,315</u>	<u>54,215</u>	<u>122,530</u>
Total Deferred Inflows of Resources	<u><u>\$766,044</u></u>	<u><u>\$961,034</u></u>	<u><u>\$1,727,078</u></u>

\$33,451 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	(\$136,318)	(\$268,484)	(\$404,802)
2025	(129,793)	(263,112)	(392,905)
2026	(105,457)	(115,773)	(221,230)
2027	(55,343)	(47,314)	(102,657)
2028	(31,980)	(61,629)	(93,609)
Thereafter	<u>(54,863)</u>	<u>(125,186)</u>	<u>(180,049)</u>
Total	<u><u>(\$513,754)</u></u>	<u><u>(\$881,498)</u></u>	<u><u>(\$1,395,252)</u></u>

Actuarial Assumptions - SERS

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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, 2022, are presented below:

	<u>June 30, 2022</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	7.00 to 4.40 percent

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

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022, and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08)
School District's proportionate share of the net OPEB liability	\$825,181	\$664,390	\$534,586

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$512,363	\$664,390	\$862,959

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Actuarial Assumptions – STRS

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

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	5.00 percent initial 4 percent ultimate
Medicare	-68.78 percent initial 3.94 percent ultimate	-16.18 percent initial 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4 percent ultimate
Medicare	-5.47 percent initial 3.94 percent ultimate	29.98 percent initial 4 percent ultimate

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

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, 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, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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 16.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net OPEB (asset)	(\$975,623)	(\$1,055,328)	(\$1,123,602)

	1% Decrease <u></u>	Current Trend Rate <u></u>	1% Increase <u></u>
School District's proportionate share of the net OPEB (asset)	(\$1,094,632)	(\$1,055,328)	(\$1,005,716)

Note 18 - 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 10 days of unused vacation at the end of each year. The Treasurer earns 20 days of vacation annually and maybe paid up to 5 days of unused vacation at the end of each year. 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 55 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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Special Termination Benefits

During fiscal year 2023, the School District negotiated an early retirement incentive to include severance with four employees. The School District will be making payments directly to the employee on an annual basis as negotiated. The total incentive benefit is \$95,000 and is to be paid out in 3 installments annually on or before September 1, 2023, 2024 and 2025. The liability for these special termination benefits was \$95,000 as of June 30, 2023.

During fiscal year 2022, 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 \$9,270 as of June 30, 2023.

Note 19 - 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.

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, 2022	\$0
Current Year Set-aside Requirement	208,672
Current Year Offsets	(272,000)
Qualifying Disbursements	<u>(127,182)</u>
Qualifying Disbursements	<u>0</u>
Total	<u><u>(\$190,510)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Set Aside Balance as of June 30, 2023	<u><u>\$0</u></u>

Although the School District had offsets 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.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

Note 20 – Encumbrances

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

General	\$1,348,879
Other Governmental Funds	791,917
Total	<u>\$2,140,796</u>

Note 21 – Change in Accounting Principle and Restatement of Net Position

Change in Accounting Principles

For fiscal year 2023, the School District implemented Governmental Accounting Standards Board (GASB) No. 91, *Conduit Debt Obligations*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The School District did not have any debt that met the definition of conduit debt.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The School District did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). These changes were incorporated in the School District’s 2023 financial statements. The School District did not have any contracts that met the GASB 96 definition of a SBITA, other than short-term SBITAs.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

Restatement of Net Position

During fiscal year 2023, the School District performed a complete re-evaluation of the School District's capital assets. This re-evaluation had the following effect on beginning net position:

Net Position, June 30, 2022	\$770,376
Understated Capital Assets	<u>210,942</u>
Restated Net Position, June 30, 2022	<u><u>\$981,318</u></u>

Note 22 – 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 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

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 Ten Fiscal Years

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.04635440%	0.04206820%	0.03939840%	0.04171320%
School District's Proportionate Share of the Net Pension Liability	\$2,507,207	\$1,552,194	\$2,605,892	\$2,495,773
School District's Covered Payroll	\$1,752,071	\$1,529,157	\$1,394,750	\$1,438,941
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	143.10%	101.51%	186.84%	173.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%	70.85%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.04398440%	0.04537940%	0.04881070%	0.05184320%	0.05094500%	0.05094500%
\$2,519,068	\$2,711,319	\$3,572,493	\$2,958,224	\$2,578,298	\$3,029,536
\$1,463,496	\$1,450,550	\$1,515,507	\$1,556,009	\$1,421,084	\$1,555,924
172.13%	186.92%	235.73%	190.12%	181.43%	194.71%
71.36%	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 Seven Fiscal Years (1)

	2023	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.04732080%	0.04375660%	0.04075050%	0.04253300%
School District's Proportionate Share of the Net OPEB Liability	\$664,390	\$828,129	\$885,642	\$1,069,614
School District's Covered Payroll	\$1,752,071	\$1,529,157	\$1,394,750	\$1,438,941
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	37.92%	54.16%	63.50%	74.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%	15.57%

(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

2019	2018	2017
0.04444370%	0.04596370%	0.04953430%
\$1,232,988	\$1,233,545	\$1,411,911
\$1,463,496	\$1,450,550	\$1,515,507
84.25%	85.04%	93.16%
13.57%	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 Ten Fiscal Years

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.04075675%	0.03952705%	0.03735165%	0.03835252%
School District's Proportionate Share of the Net Pension Liability	\$9,060,278	\$5,053,889	\$9,037,771	\$8,481,429
School District's Covered Payroll	\$5,394,007	\$4,839,079	\$4,573,371	\$4,486,414
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	167.97%	104.44%	197.62%	189.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%	77.40%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.04081729%	0.04448223%	0.04470326%	0.04572868%	0.04625010%	0.04625010%
\$8,974,806	\$10,566,849	\$14,963,529	\$12,638,070	\$11,241,090	\$13,390,313
\$4,617,050	\$4,732,121	\$4,759,871	\$4,863,521	\$4,696,893	\$5,259,169
194.38%	223.30%	314.37%	259.85%	239.33%	254.61%
77.30%	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 Seven Fiscal Years (1)

	2023	2022	2021	2020
School District's Proportion of the Net OPEB Asset/Liability	0.04075675%	0.03952705%	0.03735165%	0.03835252%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,055,328)	(\$833,396)	(\$656,454)	(\$635,210)
School District's Covered Payroll	\$5,394,007	\$4,839,079	\$4,573,371	\$4,486,414
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-19.56%	-17.22%	-14.35%	-14.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	230.70%	174.70%	182.10%	174.70%

(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

2019	2018	2017
0.04081729%	0.04448223%	0.04470326%
(\$655,892)	\$1,735,532	\$2,390,742
\$4,617,050	\$4,732,121	\$4,759,871
-14.21%	36.68%	50.23%
176.00%	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

	2023	2022	2021	2020
Net Pension Liability				
Contractually Required Contribution	\$240,974	\$245,290	\$214,082	\$195,265
Contributions in Relation to the Contractually Required Contribution	<u>(240,974)</u>	<u>(245,290)</u>	<u>(214,082)</u>	<u>(195,265)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,721,243	\$1,752,071	\$1,529,157	\$1,394,750
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 (2)	\$33,451	\$30,509	\$29,859	\$25,549
Contributions in Relation to the Contractually Required Contribution	<u>(33,451)</u>	<u>(30,509)</u>	<u>(29,859)</u>	<u>(25,549)</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>1.94%</u>	<u>1.74%</u>	<u>1.95%</u>	<u>1.83%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.94%</u>	<u>15.74%</u>	<u>15.95%</u>	<u>15.83%</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

2019	2018	2017	2016	2015	2014
\$194,257	\$197,572	\$203,077	\$212,171	\$205,082	\$196,962
(194,257)	(197,572)	(203,077)	(212,171)	(205,082)	(196,962)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,438,941	\$1,463,496	\$1,450,550	\$1,515,507	\$1,556,009	\$1,421,084
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%
\$32,149	\$30,535	\$24,654	\$25,355	\$78,978	\$25,846
(32,149)	(30,535)	(24,654)	(25,355)	(78,978)	(25,846)
\$0	\$0	\$0	\$0	\$0	\$0
2.23%	2.09%	1.70%	1.67%	5.08%	1.82%
15.73%	15.59%	15.70%	15.67%	18.26%	15.68%

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

	2023	2022	2021	2020
Net Pension Liability				
Contractually Required Contribution	\$729,829	\$755,161	\$677,471	\$640,272
Contributions in Relation to the Contractually Required Contribution	<u>(729,829)</u>	<u>(755,161)</u>	<u>(677,471)</u>	<u>(640,272)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$5,213,064	\$5,394,007	\$4,839,079	\$4,573,371
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

2019	2018	2017	2016	2015	2014
\$628,098	\$646,387	\$662,497	\$666,382	\$680,893	\$610,596
<u>(628,098)</u>	<u>(646,387)</u>	<u>(662,497)</u>	<u>(666,382)</u>	<u>(680,893)</u>	<u>(610,596)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,486,414	\$4,617,050	\$4,732,121	\$4,759,871	\$4,863,521	\$4,696,893
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$0	\$46,969
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(46,969)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Newton Falls Exempted Village School District

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used.

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

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

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

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

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

Newton Falls Exempted Village School District

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	From 2.5 percent to 12.5 percent based on age	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA commences on fifth anniversary of retirement date

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were 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.

Changes in Benefit Term – STRS

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient’s retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

Newton Falls Exempted Village School District

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

Net OPEB Liability

Changes in Assumptions – SERS

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

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

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

Municipal Bond Index Rate:

Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

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.

Newton Falls Exempted Village School District

Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2023

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

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

For fiscal year 2023, the projected salary increases were changed from age based (2.5 percent to 12.50 percent) to service based (2.5 percent to 8.5 percent.)

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.

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

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

(This page is intentionally left blank)

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal ALN Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Donation)	10.555	N/A	\$ -	\$ 19,235
Cash Assistance:				
School Breakfast Program	10.553		-	95,536
National School Lunch Program	10.555		-	237,335
Total Child Nutrition Cluster			-	352,106
Total U.S. Department of Agriculture			-	352,106
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010A	S010A210035	-	27,548
Title I Grants to Local Educational Agencies	84.010A	S010A220035	-	191,143
Title I Grants to Local Educational Agencies	84.010A	S010A210035	-	7,500
Total Title I Grants to Local Educational Agencies			-	226,191
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027A		-	34,586
Special Education Grants to States	84.027A	H027A2220111	-	246,097
Special Education Grants to States	84.027A	H027A2220111	-	7,310
Special Education Grants to States	84.027X	H027X210111	-	21,069
Total Special Education Cluster			-	309,062
Title II-A Supporting Effective Instruction State Grants	84.367A	S367A220034	-	720
Title II-A Supporting Effective Instruction State Grants	84.367A	S367A220034	-	34,357
Total Title II-A Supporting Effective Instruction State Grants			-	35,077
Student Support and Academic Enrichment Program	84.424A	S424A220036	-	22,727
Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D		-	61,588
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210035	-	6,687
American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	S425U210035	-	142,764
American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	S425U210035	-	702,905
ARP Homeless Targeted Support Grant	84.425W	S425W210036	-	1,137
Total Education Stabilization Fund			-	915,081
Total U.S. Department of Education			-	1,508,138
Total Expenditures of Federal Awards			\$ -	\$1,860,244

The accompanying notes are an integral part of this schedule.

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (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, 2023. 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 or 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 D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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



**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, OH 44444

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 24, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2023-001.

Purpose of This Report

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

BHM CPA Group

BHM CPA Group Inc.
Circleville, Ohio
June 24, 2024



**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, OH 44444

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Newton Falls Exempted Village School District's, Trumbull County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Newton Falls Exempted Village School District's major federal program for the year ended June 30, 2023. Newton Falls Exempted Village School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Newton Falls Exempted Village School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Circleville, Ohio
June 24, 2024

Newton Falls Exempted Village School District
Trumbull County
 Schedule of Findings
 2 CFR § 200.515
 June 30, 2023

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2CFR § 200.515(a)?	No
(d)(1)(vii)	Major Programs (list):	Education Stabilization Fund; ALN #84.425D/84.425U/84.425W
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Newton Falls Exempted Village School District
Trumbull County
Schedule of Findings
2 CFR § 200.515
June 30, 2023

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

FINDING NUMBER 2023-001

Noncompliance

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall is to expend money unless it has been appropriated.

During the audit period, it was noted that expenditures and current outstanding encumbrances totaling \$12,728,291 which includes the transfers out per the BVA exceeded appropriations totaling \$11,584,783 which includes the budgeted transfers out per the BVA, in the amount of \$1,143,508 in the General Fund.

We recommend that the District monitor budgeted amounts and spend or encumber amounts no greater than amounts legally budgeted, or that the District review the budget throughout the fiscal year and amend appropriations as necessary based on the needs of the District.

Officials' Response: None.

3. FINDINGS FOR FEDERAL AWARDS

None.

This page intentionally left blank.

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 9/24/2024

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

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