

Northeastern Local School District

Popular Annual Financial Report

For Fiscal Year Ended June 30, 2020



4-20-20 for our Seniors
at 2020 hours
a 20 minute salite



Kenton Ridge Cougars

1414 Bowman Road
Springfield, Ohio 45502
Phone: 937-325-7615
Website: www.nelsd.org



2020 Popular Annual Financial Report

We are proud to present the Popular Annual Financial Report for the Northeastern Local School District for the Fiscal Year ended June 30, 2020. This Popular Annual Financial Report (PAFR) is intended to present the financial status of Northeastern Local School District (NELSD) in an easy-to-read format. We hope this helps you understand the basic financial health and the operations of our district.

We also prepare a more detailed Comprehensive Annual Financial Report (CAFR) that reports all financial operations in accordance with General Accepted Accounting Principles (GAAP). The information presented on this page and the adjacent page are generated from the accrual statements presented in the CAFR and includes all Funds. The remainder of the report is reported on cash basis and includes information related to the Five-Year Forecast which includes the General Fund and related debt. The importance of presenting the forecasted period provides the reader of this report a look forward in considering the present financial position. Each report provides an additional level of detail, you may obtain a copy of the CAFR or Five-Year Forecast on the District's website, www.nelsd.org or by contacting the Treasurer's Office at 937-325-7615.



We appreciate the support of the Board of Education who encouraged us to create this document. The Administration of NELSD is responsible for the management of Federal, State, and Local Tax dollars in its care and to ensure that those dollars are used for their intended purpose of providing a first class education to its students. We sincerely hope that this report helps demonstrate that.

2020 Financial Position Statement

The Financial Position Statement below shows what the District owns compared to what the District owes. The difference between the two is the "Net Position" of the District.

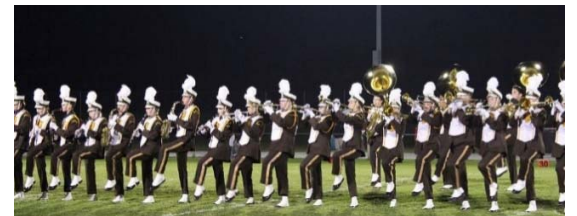
Currently, our Net Position is \$3.30 million, an increase of \$6.28 million from FY 2019. The District experienced an increase in Net Position due to an increase in value of work in progress as our construction process started. Increases in benefit expenditures offset gains in Pension and Post-Employment Benefits. The largest positive is a full fiscal year collection of the Property Taxes for the payment of the debt on the new buildings.

| Statement of Net Position -All Funds As of June 30, 2019 and June 30, 2018 | | |
|--|-----------------------|------------------------|
| Assets | 2020 | 2019 |
| Cash & Investments | \$ 98,567,133 | \$ 94,449,805 |
| Receivables | \$ 20,701,437 | \$ 23,035,408 |
| Capital Assets | \$ 17,728,271 | \$ 16,464,204 |
| Deferred Outflows of Resources | \$ 9,050,246 | \$ 9,275,102 |
| Total Assets | \$ 146,047,087 | \$ 143,224,519 |
| | | |
| Liabilities | | |
| Short-Term Liabilities | \$ 4,051,557 | \$ 4,088,085 |
| Long-Term Liabilities | \$ 120,118,066 | \$ 122,074,364 |
| Deferred Inflows of Resources | \$ 18,575,169 | \$ 20,035,126 |
| Total Liabilities | \$ 142,744,792 | \$ 146,197,575 |
| Total Net Position | \$ 3,302,295 | \$ (13,166,081) |
| Total Liabilities & Net Assets | \$ 146,047,087 | \$ 133,031,494 |

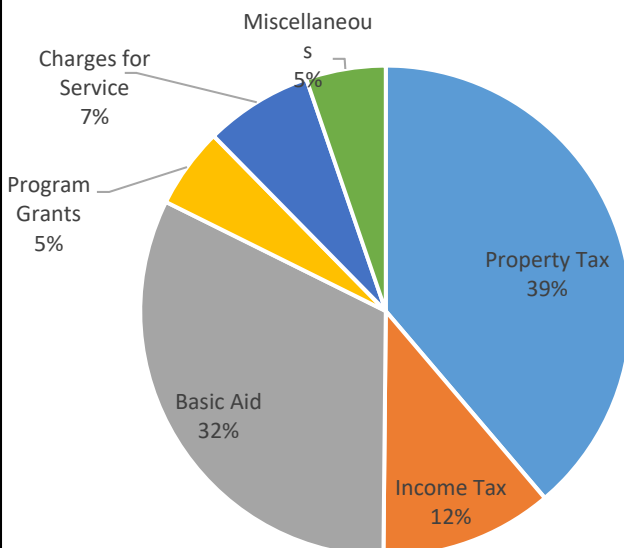


Statement of Activities- All Funds As of June 30, 2020 and June 30, 2019

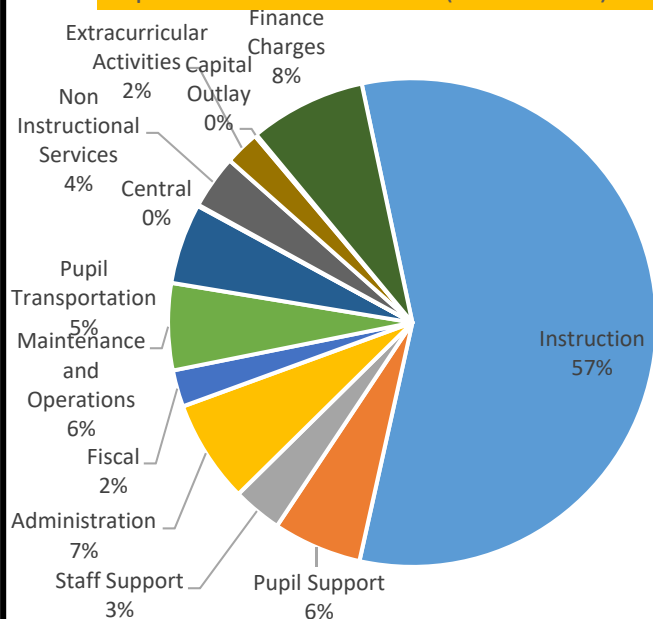
| | 2020 | 2019 |
|--|----------------------|-----------------------|
| Revenues | | |
| Property Tax | \$ 18,399,275 | \$ 16,677,291 |
| Income Tax | \$ 5,395,851 | \$ 4,998,002 |
| Basic Aid | \$ 15,270,540 | \$ 15,126,275 |
| Program Grants | \$ 2,516,674 | \$ 2,059,674 |
| Charges for Service | \$ 3,375,649 | \$ 3,476,089 |
| Miscellaneous | \$ 2,722,963 | \$ 2,984,703 |
| Total Revenues | \$ 47,680,952 | \$ 45,322,034 |
| Expenses | | |
| Instruction | \$ 23,524,073 | \$ 18,717,497 |
| Pupil Support | \$ 2,428,908 | \$ 1,745,362 |
| Staff Support | \$ 1,353,890 | \$ 1,250,295 |
| Administration | \$ 2,819,072 | \$ 2,071,221 |
| Fiscal | \$ 1,006,811 | \$ 863,108 |
| Maintenance and Operations | \$ 2,433,656 | \$ 2,378,007 |
| Pupil Transportation | \$ 2,204,768 | \$ 2,217,919 |
| Central | \$ 32,702 | \$ 27,393 |
| Non Instructional Services | \$ 1,467,005 | \$ 1,204,222 |
| Extracurricular Activities | \$ 948,654 | \$ 961,625 |
| Capital Outlay | \$ - | \$ 1,699,497 |
| Interest and Finance Charges | \$ 3,186,062 | \$ 1,992,863 |
| Total Expenses | \$ 41,405,601 | \$ 35,129,009 |
| Change in Net Position | \$ 6,275,351 | \$ 10,193,025 |
| Net Position at Beginning of the Year | \$ (2,973,056) | \$ (13,166,081) |
| Net Position at End of the Year | \$ 3,302,295 | \$ (2,973,056) |



Revenue Distribution (GAAP Basis) FY 2020



Expenditures Distribution (GAAP Basis) FY 2020



Accounting and Reporting

Under State Law the District prepares the Annual Appropriation Budget, Annual Estimated Revenue Budget, the Five-Year Forecast, and monthly reporting on cash basis of accounting. Revenues are reported when received and expenditures are recorded when the expense occurs. The District uses the Five-Year Forecast as the building block for the Annual Appropriation Budget and documents the Budget to Actual variance to the Board of Education on a monthly basis.

State Law also requires the preparation of financial statement in compliance with Generally Accepted Accounting Principles, therefore we prepare the Comprehensive Annual Financial Report. The table below reflects the conversion from cash statements to accrual statements. Accrual statements recognizes revenues when measurable and earned, expenses are recorded at the time a liability can be measured. Accrual statements also record long term assets (assets with a life greater than or equal to five years of useful life) and long term debt.

The District provides financial reports in order to make the financial information as transparent and understandable to the user as possible. The experienced reader understands that the table below converts cash basis reports to accrual reports in and over simplified method and summarizes transactions posted to generate accrual statements. We prepared this report to link the documents because each report has value to management of the District and any user requiring financial information, including the residents of the Northeastern Local School District.

The remainder of this report looks at the cash basis report because the District believes the importance of presenting consistent data locally which we relate to the Five-Year Forecast and the need for local support.



Northeastern Local School District Balance Sheet - All Funds As of June 30, 2020

| Assets | Cash | Conversion | GAAP |
|--------------------------------|----------------------|------------------------|-----------------------|
| Cash & Investments | \$ 98,952,977 | \$ (385,844) | \$ 98,567,133 |
| Receivables | \$ - | \$ 20,701,437 | \$ 20,701,437 |
| Capital Assets | \$ - | \$ 17,728,271 | \$ 17,728,271 |
| Deferred Outflows of Resources | \$ - | \$ 9,050,246 | \$ 9,050,246 |
| Total Assets | \$ 98,952,977 | \$ 47,094,110 | \$ 146,047,087 |
| Liabilities | | | |
| Short-Term Liabilities | \$ - | \$ 4,051,557 | \$ 4,051,557 |
| Long-Term Liabilities | \$ - | \$ 120,118,066 | \$ 120,118,066 |
| Deferred Inflows of Resources | \$ - | \$ 18,575,169 | \$ 18,575,169 |
| Total Liabilities | \$ - | \$ 142,744,792 | \$ 142,744,792 |
| Total Net Position | \$ 98,952,977 | \$ (95,650,682) | \$ 3,302,295 |

Northeastern Local School District Balance Sheet - All Funds As of June 30, 2020

| | Cash | Conversion | GAAP |
|-----------------------|----------------------|------------------------|---------------------|
| Beginning Equity | \$ 94,723,326 | \$ (97,696,382) | \$ (2,973,056) |
| Revenues | \$ 47,298,888 | \$ 382,064 | \$ 47,680,952 |
| Expenses/Expenditures | \$ 43,069,237 | \$ (1,663,636) | \$ 41,405,601 |
| Ending Equity | \$ 98,952,977 | \$ (95,650,682) | \$ 3,302,295 |



Cash Basis Five-Year Forecast

The Five-Year Forecast is the District's projection of cash available; noting the general direction that the finances of the Northeastern School District are heading. This will help the user understand any levy issues facing the District. The forecast reflects funding component computations from the most recent passage of House Bill 166 (State Biennium Budget) that generates the amount of state funding. COVID-19 impacted the State Aid money in FY20 and FY21 with a reduction of approximately \$650,000 in each year as the Governor order the cut. The Board of Education and Administration will continue to study the forecast and the educational needs with the resources the community provides. If you would like more detailed information you may obtain the complete Five-Year Forecast on the District's website.



ACTUAL FOR FISCAL YEAR-GENERAL FUND

| | <u>Act 18</u> | <u>Act 19</u> | <u>Act 20</u> |
|---------------------|----------------------|----------------------|----------------------|
| Revenue | \$ 34,479,058 | \$ 35,498,274 | \$ 35,765,479 |
| Expenditures | \$ 31,510,113 | \$ 33,109,826 | \$ 33,817,540 |
| Ending Cash Balance | <u>\$ 11,076,722</u> | <u>\$ 13,465,170</u> | <u>\$ 15,413,109</u> |

PROJECTED FIVE YEAR FORECAST BY FISCAL YEAR - GENERAL FUND

| | <u>Est 21</u> | <u>Est 22</u> | <u>Est 23</u> | <u>Est 24</u> | <u>Est 25</u> |
|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Revenue | \$ 34,831,042 | \$ 35,361,841 | \$ 35,684,520 | \$ 35,678,399 | \$ 35,643,651 |
| Expenditures | \$ 35,067,081 | \$ 35,906,770 | \$ 37,140,217 | \$ 38,432,460 | \$ 39,786,947 |
| Ending Cash Balance | <u>\$ 15,177,070</u> | <u>\$ 14,632,141</u> | <u>\$ 13,176,444</u> | <u>\$ 10,422,383</u> | <u>\$ 6,279,087</u> |

\$45,000,000

\$40,000,000

\$35,000,000

\$30,000,000

\$25,000,000

\$20,000,000

\$15,000,000

\$10,000,000

\$5,000,000

\$-

General Fund Revenue, Expenditures & Cash Balance

Act 17 Act 18 Act 19 Est 20 Est 21 Est 22 Est 23 Est 24

Revenue

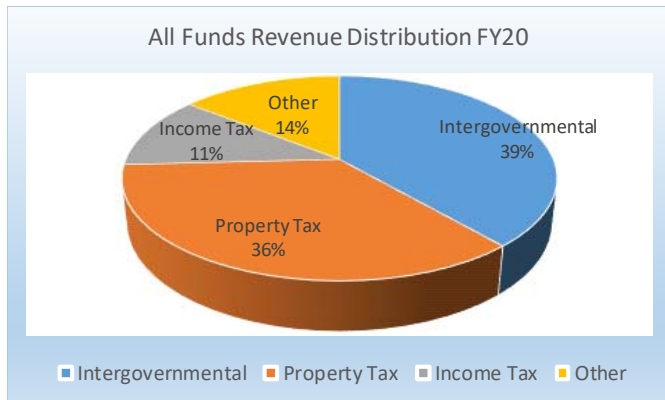
Expenditures

Ending Bal.



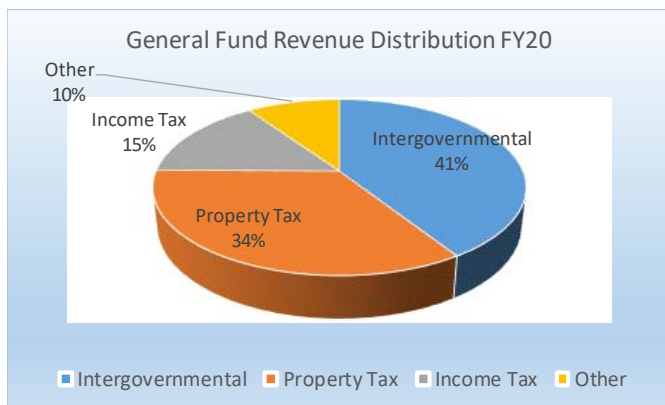
Where Does the Money Come From?

Our District receives 39% of our revenues from State and Federal grant dollars. The largest revenue source for the Northeastern Local School District is the local taxes which equals 36% of revenues. The second largest source is the basic aid, 31% that we receive based on a per student formulas from the State of Ohio. Again, for FY20 and FY21 all school districts in the State of Ohio received less than budgeted for the year.



General Fund and Related Funds

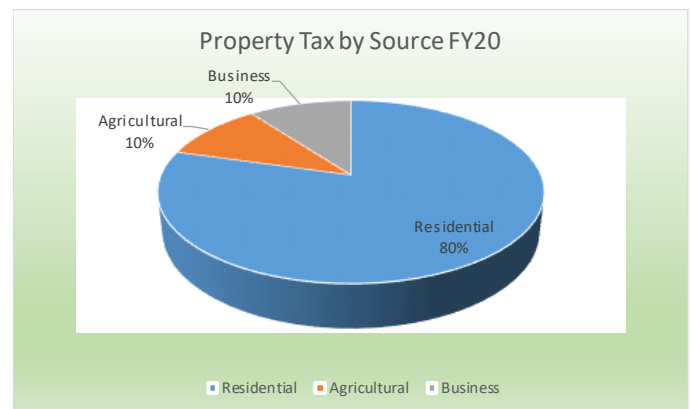
The District's General Fund, which supports most of our operations, is made up of monies from the Federal and State government, Northeastern property tax revenues, income tax, and other sources like tuition, fees, and interest. Northeastern property taxes and income taxes made up 49% of our General Fund in FY 2020; these revenues totaled \$17.7 million. The State and Federal revenue made up 41% of our General Fund; these revenues totaled \$14.6 million in FY 2020. The largest portion of this was in the "State Basic Aid" which is \$12.8 million. The relative contributions of each funding source is shown the chart below. Income Tax has become the backbone of the district General Fund revenues.



Understanding Property Taxes

Owners of residential or business real estate pay taxes to fund many services and agencies within their community. In the Northeastern Local School District, property taxes are collected to fund public education, social services, the career technical school, the city government, the county government, and in some cases township expenses.

The amount collected must be approved by the local voters. Most levies are approved for a certain period of time, and then put before the voters for renewal or replacement. For Northeastern, our school levies are "fixed sum" levies, which means when the voters approve a levy, they approve the total amount of money that the levy will provide. That total amount does not change over time. There is no inflation or cost-of-living increase in a fixed sum property tax. Furthermore, when this type of levy is renewed, the amount originally voted remains in effect for the length of the renewal levy.



Understanding property taxes requires that you understand a few terms:

Mill: 1/10 of a cent per \$1,000 of assessed value.

Effective Millage: The effective millage is the actual tax rate collected after HB920 reduces the tax rates for inflation. (See HB 920)

HB 920: Common name of the Ohio Law that requires the reduction of the property owner's millage and limits tax dollars paid to the original levy. (No inflation)

Rollback & Homestead: Roughly a 12.5% tax credit to homeowners where the state pays 12.5% of the tax bills to the district, instead of having the homeowners pay that portion of their tax bill.



Where Does the Money Go? By Function

Direct Instruction: the largest expenditure includes all service dealing with teaching students.

Building Operations: involves heating, cooling, custodial services, and keeping buildings and grounds safe and in good working condition.

Administrative Support: includes the overall administration of the building and the District as a whole. These include centralized department heads, building principals and secretarial support.

Pupil Support: are activities designed to assist and improve the well-being of the student and supplement the teaching process. These include guidance, nursing, speech, hearing, social, and psychological services.

Business Operations: includes fiscal services such as payroll, accounts payable, budgeting, and auditing as well as warehousing, purchasing, and insurance.

Instructional Staff: includes library, technology integration, mentoring, and teacher aides.

Transportation: transportation of students in accordance with the Board of Education policies and Ohio law.

Food Service: includes expenditures to provide breakfast and lunch to students.

Other: extracurricular activities, capital outlays, and miscellaneous expenditures that do not fit in the other categories.

Interest and Fiscal Charges: Principal debt and interest payments.



Where Does the Money Go? By Object

Salary and Benefits: are 74 % of expenditures

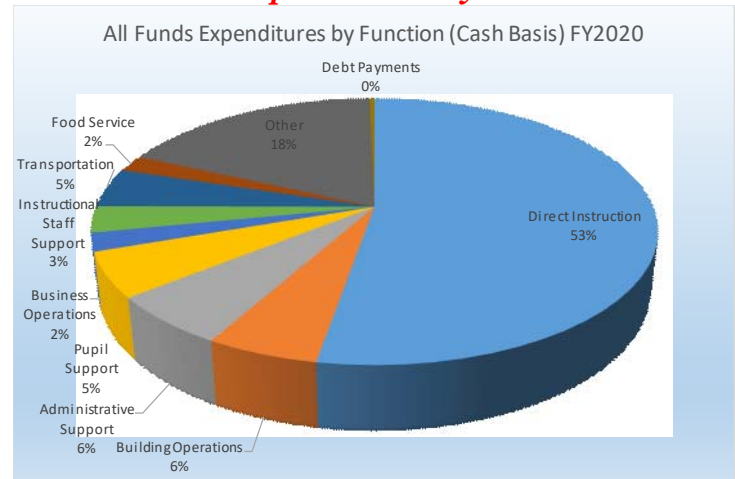
Purchased Services: include in excess of \$3.5 million going to other schools in Ed Choice vouchers, community (charter) schools, utilities, and contracts for services

Debt: interest and principal on outstanding debt.

Supplies and Materials: office supplies, diesel fuel, instructional supplies, and computer software.

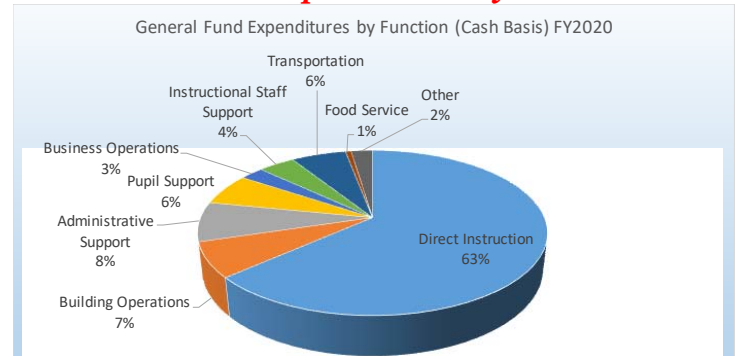
Other: includes County Auditor and Treasurer Fees, property insurance and other expenditures.

All Funds Expenditures by Function

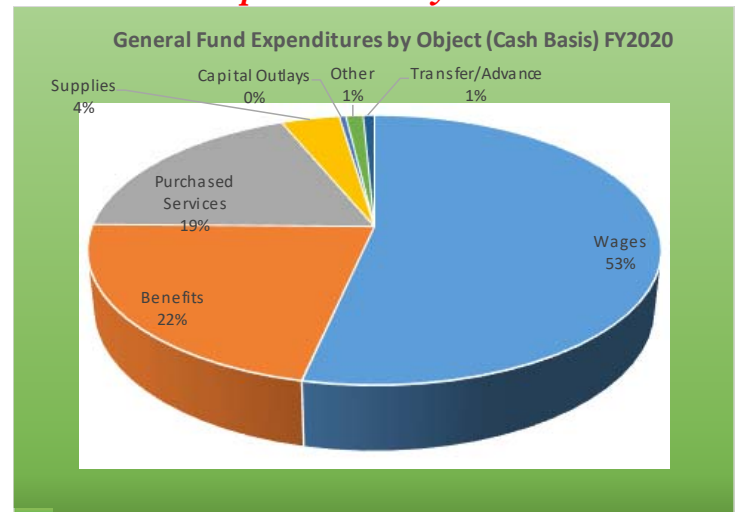


NELSD

General Fund Expenditures by Function

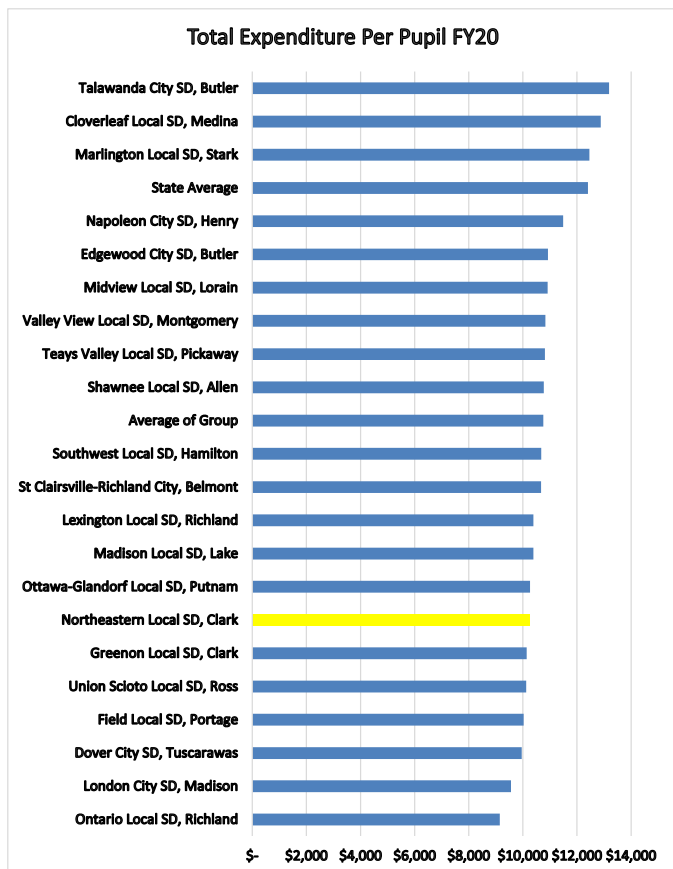


Gener Expenditures by Function



Expenditures Per Pupil

The chart below shows how the Northeastern Local School Districts' FY 2020 expenditures per pupil compared to other districts which the Ohio Department of Education has computed and has determined are similar districts. Comparing NELSD to the group, we are in the lower third of the cost per pupil, which reflects cost control in the education of the students. The top goal of the Board of Education and Administration is to increase student performance and opportunities within the means provided by the community.



Major Initiatives and Projects

The Northeastern Local School District is excited about our future. The District continues to press forward even during a pandemic with new buildings and curriculum upgrades. The two new buildings have had groundbreaking and visible progress on the new sites. The fourth year of a One-to-One District Wide Technology Plan that expanded to all students during the pandemic. We are working on a curriculum update to our mathematics programming across all grades this year. Finally, we continue to work to upgrade our school bus and maintenance equipment initiatives.

The best way that we can share the construction progress is with two live links to what is happening real time at the new **Northeastern PreK-12 site**, <http://construction.northeastern.k12.oh.us/#view> and the new

Kenton Ridge PreK-12 site,

<http://krconstruction.northeastern.k12.oh.us/#view>,

take a look. This is a fun way to watch what is going on daily at each building project.

The one-to-one technology implementation for our students began its fourth year. Students are assigned a Chromebook that they can use in class and at home each day of the school year. This became a necessity as we were required to go to virtual learning during the last nine weeks of the 2020 school year. We have continued this as needed during the 2020-21 school year for all grades when we are designated as virtual.



All other times grades 3-12 have the one-to-one capabilities.

NELSD continues to upgrade our curriculum, this year mathematics is the focus. Teachers are working with our curriculum director to evaluate what works best with our students and the needs of 21st century learners. A new mathematics adoption will take place this spring. After the adoption, professional development will be planned with staff as the new resources are added. There is always a slight learning curve as new curriculum guides are issued and resources are put in place, but learning how best to implement this curriculum is a strength of our staff.

Finally, the District is continuing to upgrade our bus fleet and maintenance efforts. The District added two new buses this year. We are working to update our capital plan that cycles the purchases of needed equipment for District maintenance needs. It is so important that NELSD continues to maintain all of our facilities as we look to the future with new educational buildings coming online. There are many other support buildings and grounds that need constant attention.

| OUTSTANDING DEBT AT FISCAL YEAR ENDED JUNE 30, 2020 AND JUNE 30, 2019 | | |
|---|--------------------------|--------------------------|
| | Outstanding 6/30/2019 | Outstanding 6/30/2020 |
| 2018 GO Bonds Building Project \$79.3 million issued 8/23/18 | \$ 79,335,000 | \$ 78,535,000 |
| Total | \$ 79,335,000 | \$ 78,535,000 |



On May 8, 2018 the Northeastern Local School District passed a \$79.3 million, 7.96 mil bond levy, in conjunction with the Ohio Facility Commission, \$41 million to construction of two new pre-k-12 buildings. On August 23, 2018 the District sold bonds to mature with an average rate of 3.96% for 37 years.

How Your School Property Taxes Are Collected

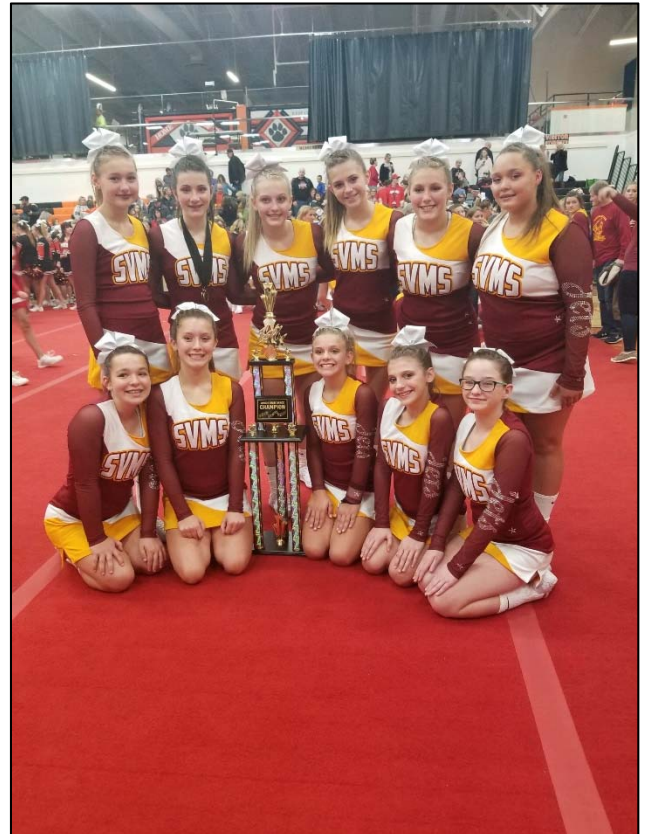
The effective residential property tax rate for the Northeastern Local School District for 2019 was 34.24799 mills.

Residential taxes are calculated by applying the effective rate to the assessed valuation of your property. The assessed valuation is only 35% of the fair market value of your property. The example shown here illustrates the tax bill calculation for a property that has a fair market value of \$100,000.

Note that any levies, new or replaced after December 2013, will not have the 12.5% State Credit reimbursed. The local taxpayers fund the entire levy.

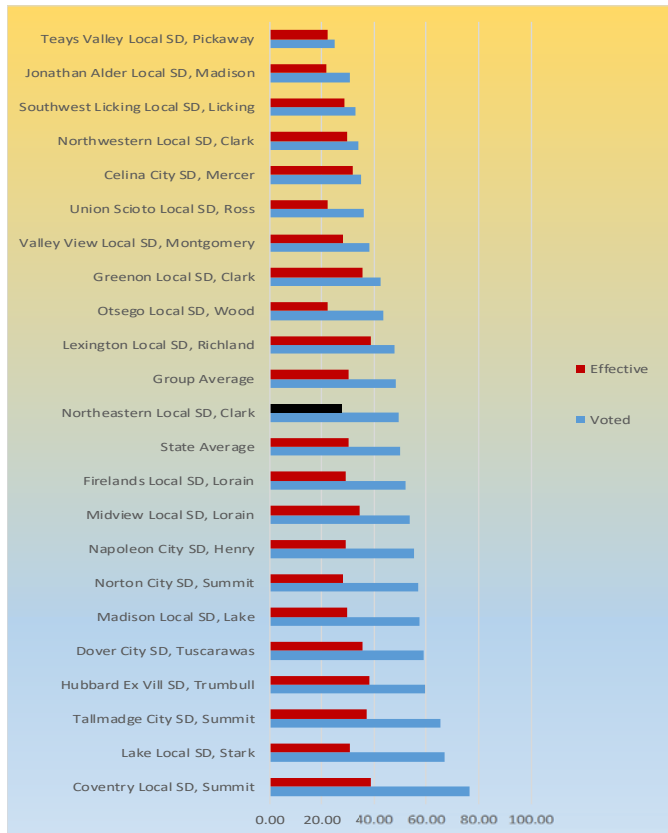
Example

| | |
|-----------------------------------|--------------------|
| Fair Market Value | \$ 100,000 |
| Multiply Assess Value | <u>35%</u> |
| Equals Taxable Value | \$ 35,000 |
| Multiple Millage Rate | <u>0.030320334</u> |
| Equals Total Tax | \$ 1,061 |
| Less State Credits 12.5% | <u>87.5%</u> |
| Total School Tax Bill to Taxpayer | <u>\$ 929</u> |



Compared Voted and Effective Millage Rates

Because of HB 920, school districts do not collect taxes at the voter approved rates. Instead, school districts collect taxes based on the effective tax rates. Northeastern collects 34.25 mills on 55.5 voted mills.



A True Comparison of Property Taxes

When comparing school district property taxes, the only way to do this is to compare what a 1-mill raise per student in local revenue would be. A wealthier tax base will raise more per mill per student. Northeastern falls in the middle of the group.

| District | Per Pupil Revenue Raised By 1 Mill Of Property Tax TY19 |
|---------------------------------------|---|
| Edgewood City SD, Butler | \$ 131 |
| Union Scioto Local SD, Ross | \$ 136 |
| Valley View Local SD, Montgomery | \$ 137 |
| Lexington Local SD, Richland | \$ 143 |
| Madison Local SD, Lake | \$ 151 |
| Ottawa-Glandorf Local SD, Putnam | \$ 154 |
| Dover City SD, Tuscarawas | \$ 156 |
| Teays Valley Local SD, Pickaway | \$ 161 |
| Ontario Local SD, Richland | \$ 164 |
| Greenon Local SD, Clark | \$ 166 |
| London City SD, Madison | \$ 166 |
| Southwest Local SD, Hamilton | \$ 167 |
| Northeastern Local SD, Clark | \$ 170 |
| State Average | \$ 187 |
| Average of Group | \$ 190 |
| Shawnee Local SD, Allen | \$ 190 |
| Napoleon City SD, Henry | \$ 197 |
| Midview Local SD, Lorain | \$ 223 |
| Field Local SD, Portage | \$ 226 |
| Marlington Local SD, Stark | \$ 241 |
| Talawanda City SD, Butler | \$ 249 |
| Cloverleaf Local SD, Medina | \$ 294 |
| St Clairsville-Richland City, Belmont | \$ 358 |

Northeastern Board of Education



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Mrs. Parker



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Mr. Augustus



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Board Member

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Board Member

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Mr. John Schmid

Director of Transportation

Mr. Randy Phares

Treasurer/CFO

Mr. Dale R Miller

