

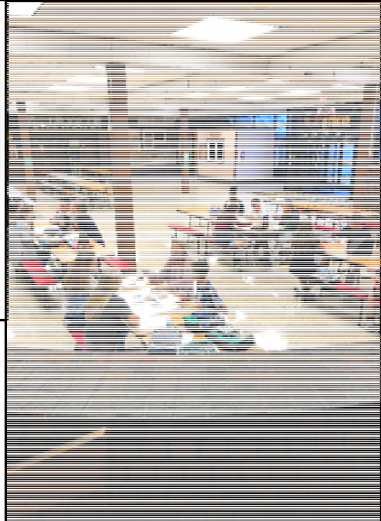
# Northeastern Local School District

## **Popular Annual Financial Report**

For Fiscal Year Ended June 30, 2018



1414 Bowman Road  
Springfield, Ohio 45502  
Phone: 937-325-7615  
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## 2018 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, 2018. 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](http://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.

### 2018 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 (\$13.1) million, an increase of \$8.6 million from FY 2017. The District experienced an increase in Net Position due to an increase in revenues from a complete collection year of the Earned Income Tax. Expenditure reductions in Wage and Benefit Expenditures, Pension and Post-Employment Benefits as enrollment lowered also helped with the increase.

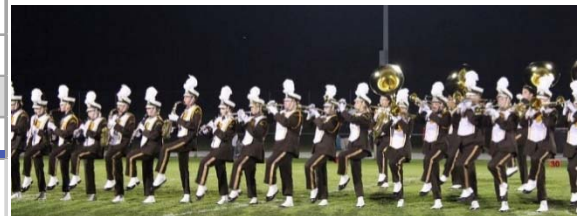
Statement of Net Position -All Funds As of June 30, 2018 and June 30, 2017			
Assets	2018		2017
Cash & Investments	\$ 12,614,965		\$ 9,808,808
Receivables	\$ 15,301,003		\$ 15,647,334
Capital Assets	\$ 14,251,276		\$ 14,892,326
Deferred Outflows of Resources	\$ 11,781,972		\$ 9,866,689
<b>Total Assets</b>	<b>\$ 53,949,216</b>		<b>\$ 50,215,157</b>
Liabilities			
Short-Term Liabilities	\$ 3,720,344		\$ 3,825,807
Long-Term Liabilities	\$ 49,986,555		\$ 57,226,767
Deferred Inflows of Resources	\$ 13,408,408		\$ 11,026,534
<b>Total Liabilities</b>	<b>\$ 67,115,307</b>		<b>\$ 72,079,108</b>
<b>Total Net Position</b>	<b>\$ (13,166,081)</b>		<b>\$ (21,863,951)</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 53,949,226</b>		<b>\$ 50,215,157</b>



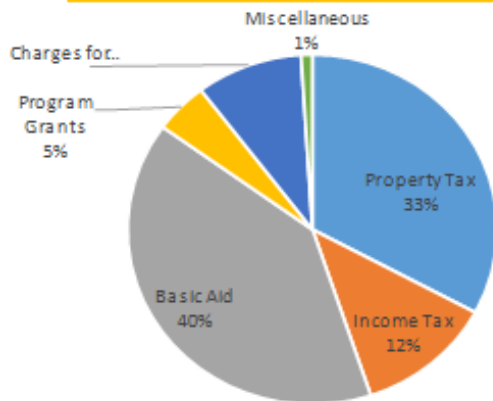
**Statement of Activities- All Funds As of June 30, 2018 and June 30, 2017**

<b>Revenues</b>		
Property Tax	\$ 12,382,691	\$ 12,101,011
Income Tax	\$ 4,535,898	\$ 4,302,786
Basic Aid	\$ 15,112,212	\$ 15,507,417
Program Grants	\$ 1,776,048	\$ 1,784,321
Charges for Service	\$ 3,516,445	\$ 3,373,455
Miscellaneous	\$ 370,227	\$ 309,287
<b>Total Revenues</b>	<b>\$ 37,693,521</b>	<b>\$ 37,378,277</b>
<b>Expenses</b>		
Instruction	\$ 8,058,435	\$ 21,784,018
Pupil Support	\$ 1,169,357	\$ 2,027,177
Staff Support	\$ 819,919	\$ 1,295,650
Administration	\$ 1,354,508	\$ 2,628,037
Fiscal	\$ 686,132	\$ 883,581
Maintenance and Operations	\$ 2,094,860	\$ 2,806,160
Pupil Transportation	\$ 1,713,050	\$ 2,279,703
Central	\$ 42,182	\$ 44,301
Non Instructional Services	\$ 1,055,990	\$ 1,460,389
Extracurricular Activities	\$ 720,675	\$ 1,092,087
Interest and Finance Charges	\$ 20,771	\$ 35,429
<b>Total Expenses</b>	<b>\$ 17,735,879</b>	<b>\$ 36,336,532</b>
Change in Net Position	\$ 19,957,642	\$ 1,041,745
Net Position at Beginning of the Year	\$ (33,123,723)	\$ (34,165,468)
<b>Net Position at End of the Year</b>	<b>\$ (13,166,081)</b>	<b>\$ (33,123,723)</b>

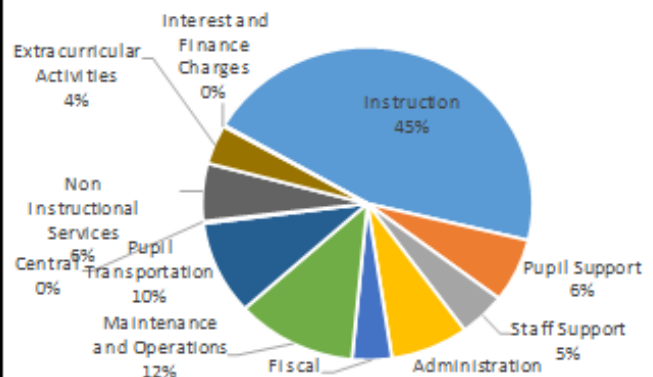
GASB 75 Adjustment reflected in expenses related to functions. For more information refer to the Comprehensive Annual Financial Report



**Revenue Distribution (GAAP Basis) FY 2018**



**Expenditures Distribution (GAAP Basis) FY 2018**



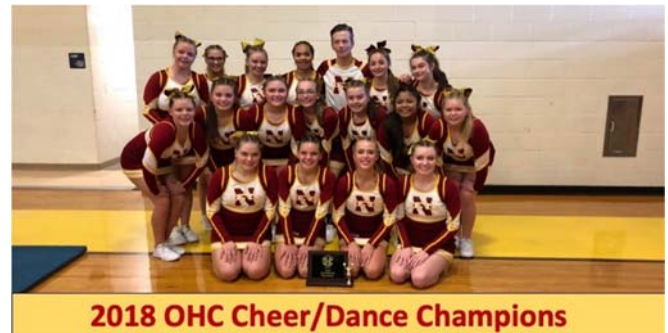
## Accounting and Reporting

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, 2018

Assets	Cash	Conversion	GAAP
Cash & Investments	\$ 12,864,814	\$ (249,849)	\$ 12,614,965
Receivables	\$ -	\$ 15,301,003	\$ 15,301,003
Capital Assets	\$ -	\$ 14,251,276	\$ 14,251,276
Deferred Outflows of Resources	\$ -	\$ 9,866,689	\$ 11,781,972
<b>Total Assets</b>	<b>\$ 12,864,814</b>	<b>\$ 41,084,402</b>	<b>\$ 53,949,216</b>
<b>Liabilities</b>			
Short-Term Liabilities	\$ -	\$ 3,720,344	\$ 3,720,344
Long-Term Liabilities	\$ -	\$ 49,986,555	\$ 49,986,555
Deferred Inflows of Resources	\$ -	\$ 13,408,408	\$ 13,408,408
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 67,115,307</b>	<b>\$ 67,115,307</b>
<b>Total Net Position</b>	<b>\$ 12,864,814</b>	<b>\$ (26,030,905)</b>	<b>\$ (13,166,091)</b>



Northeastern Local School District Balance Sheet - All Funds As of June 30, 2018

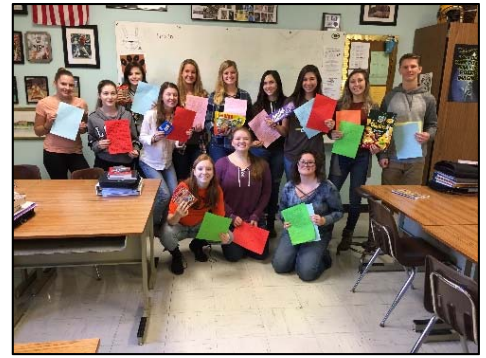
	Cash	Conversion	GAAP
Beginning Equity	\$ 9,963,910	\$ (43,087,633)	\$ (33,123,723)
Revenues	\$ 38,116,285	\$ (422,764)	\$ 37,693,521
Expenses/Expenditures	\$ 35,215,381	\$ (17,479,502)	\$ 17,735,879
Ending Equity	\$ 12,864,814	\$ (26,030,895)	\$ (13,166,081)
GASB 75 Resulted in a Restated Beginning GAAP Balance			





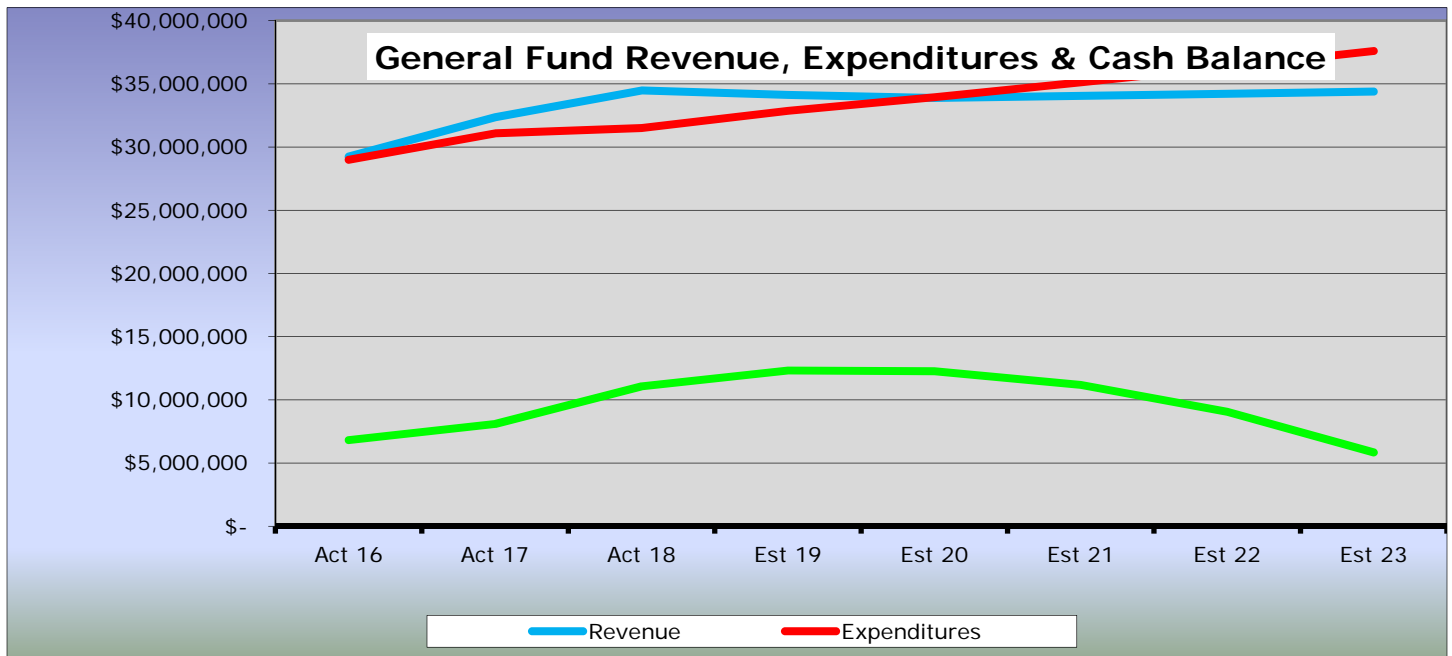
## Cash Basis Five-Year Forecast

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 59 (The State Biennium Budget) that generates the amount of state funding. 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.



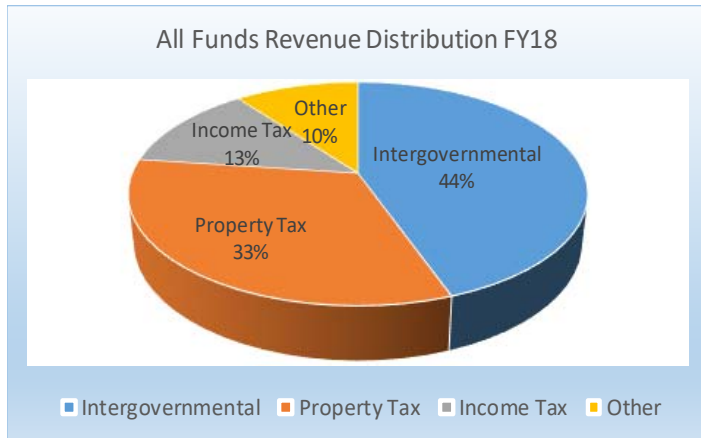
ACTUAL FOR FISCAL YEAR-GENERAL FUND			
	<u>Act 16</u>	<u>Act 17</u>	<u>Act 18</u>
Revenue	\$ 29,251,224	\$ 32,365,813	\$ 34,479,058
Expenditures	\$ 29,001,345	\$ 31,091,107	\$ 31,510,113
Ending Cash Balance	\$ 6,833,070	\$ 8,107,776	\$ 11,076,721

PROJECTED FIVE YEAR FORECAST BY FISCAL YEAR - GENERAL FUND					
	<u>Est 19</u>	<u>Est 20</u>	<u>Est 21</u>	<u>Est 22</u>	<u>Est 23</u>
Revenue	\$ 34,127,543	\$ 33,883,129	\$ 34,047,119	\$ 34,216,541	\$ 34,387,332
Expenditures	\$ 32,866,305	\$ 33,949,122	\$ 35,127,569	\$ 36,339,546	\$ 37,605,280
Ending Cash Balance	\$ 12,337,959	\$ 12,271,966	\$ 11,191,515	\$ 9,068,510	\$ 5,850,561



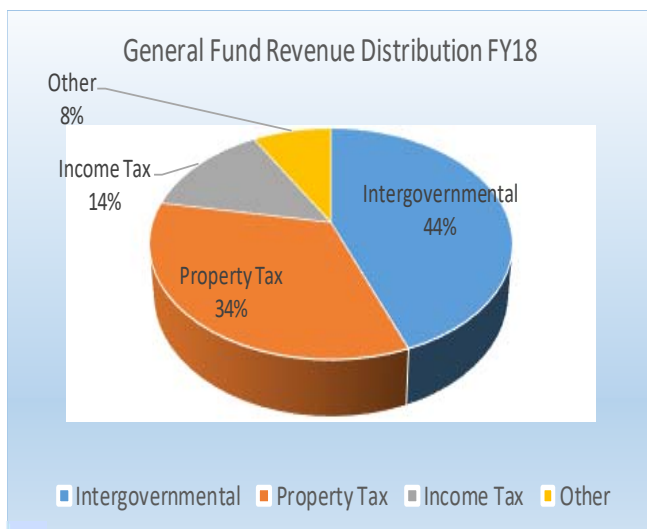
## Where Does the Money Come From?

Our District receives 44% 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 46% of revenues. The second largest source is the basic aid, 44% that we receive based on a per student formulas from the State of Ohio.



## General Fund and Related Funds

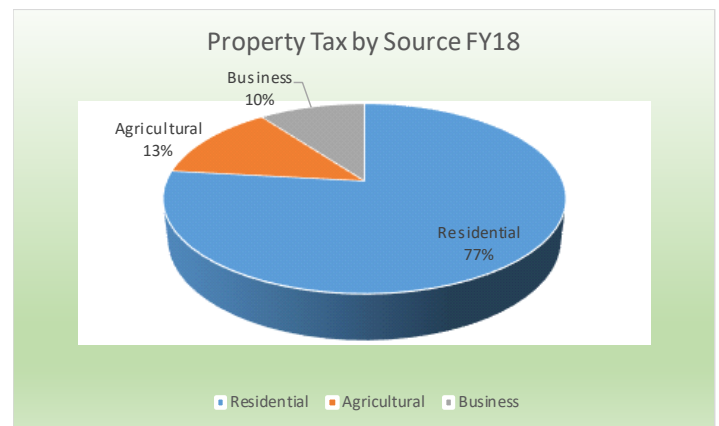
The District's General Fund, which supports most of our operations, is made up of monies from the Federal and State government, Northeastern property tax revenues, income tax, and other sources like tuition, fees, and interest. Northeastern property taxes and income taxes made up 47% of our General Fund in FY 2018; these revenues totaled \$16.3 million. The State and Federal revenue made up 44% of our General Fund; these revenues totaled \$15.1 million in FY 2018. The largest portion of this was in the "State Basic Aid" which is \$13.3 million. The relative contributions of each funding source is shown the chart below.



## 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.

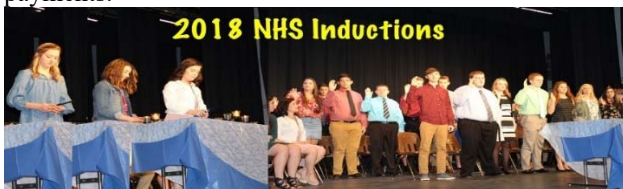
**Instructional Staff:** includes library, technology integration, mentoring, and teacher aides.

**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 76 % of expenditures

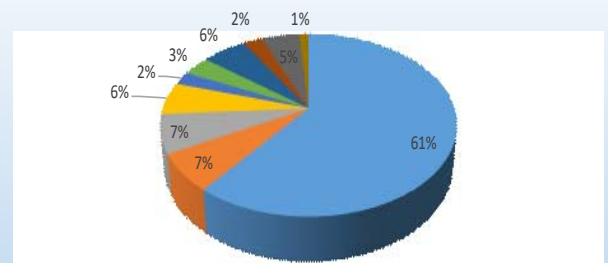
**Purchased Services:** include in excess of \$3.5 million going to other schools in Ed Choice vouchers, community (charter) schools, utilities, and contracts for services

**Debt:** interest and principal on outstanding debt.

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

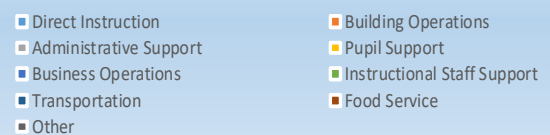
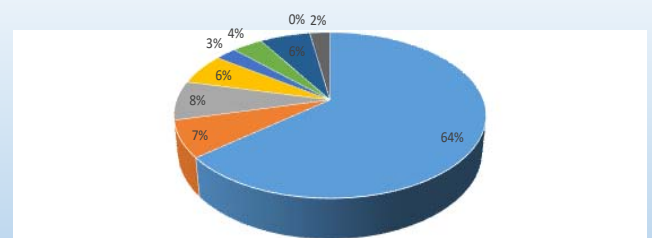
**Other:** includes County Auditor and Treasurer Fees, property insurance and other expenditures.

All Funds Expenditures by Function (Cash Basis) FY2018

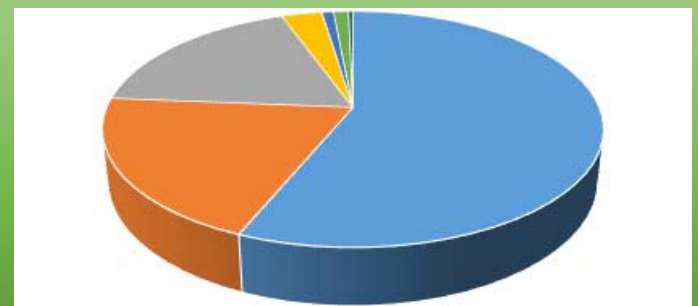


## NELSD

General Fund Expenditures by Function (Cash Basis) FY2018



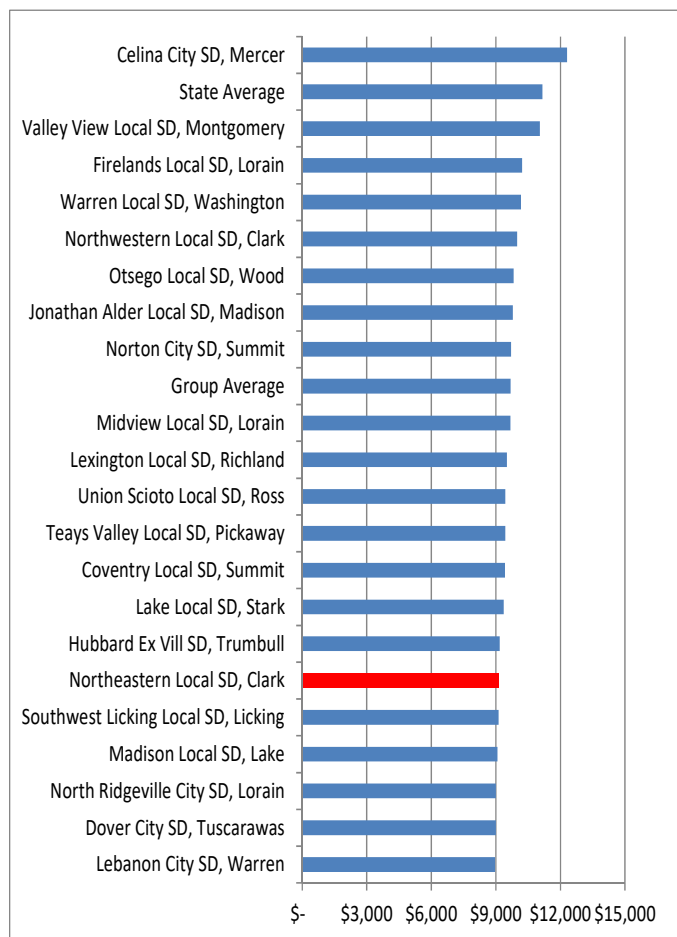
General Fund Expenditures by Object (Cash Basis) FY2018





## Expenditures Per Pupil

The chart below shows how the Northeastern Local School Districts' FY 2018 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.



NELSD began our partnership with the Ohio Facilities Construction Commission who are contributing almost \$41 million dollars to the project. An architect was selected in Ruetschle Brothers and we are headed for selection of the construction manager at risk soon. Planning for the design of the building has already started as we continue to engage our staff and community in forums to gather input and feedback on key areas of grade banding, building layout, and safety. The bond levy has seemed to reenergize our community!

The one-to-one technology implementation for our students began its second year. We expanded to add grades six, seven, and eight. Students are assigned a Chromebook that they can use in class and at home each day of the school year. Sixth grade students have access to a Chromebook during the day, but are not taking them home just yet. This tool is preparing our student's skill set for the technology they will be exposed to in the future. The Chromebook is another item to add to the robust instruction that is occurring in our classrooms each day.

Updating course curriculum has been happening for the past five years and is almost ready to begin the cycle again. This was something that needed to change desperately, as curriculum was not updated in the last twenty years, if our students are to receive the education that is needed to be successful in the future. So, with curriculum updates and professional development now in place, our staff is equipped to drive our students forward. This effort has been authenticated by our State value added scores which were solid A's the past two years.

Finally, the District is committed to upgrade our bus fleet and maintenance equipment. A total of five new buses were added to our fleet to replace old buses over the past four years. No new buses were purchased in at least four years prior to that time. The District added a new school van, maintenance box truck, one-ton dump truck, and pick-up truck with snowplow to our fleet. These new equipment purchases allow the District to better serve our students and community in terms of transportation, building maintenance, or plowing snow.

## Major Initiatives and Projects

The Northeastern Local School District is moving toward a bright future. This last year has been so exciting for our school and community. The passage of a bond issue to build two new PreK-12 buildings on the respective sides of the District. The second year of a One-to-One District Wide Technology Plan that expanded to not only cover our high school students, but also middle school students. We wrapped up curriculum initiatives so that almost the entire set of our course offerings were revised. Finally, we worked diligently to upgrade our school bus and maintenance equipment fleet.

The passage of the 7.96 mill bond issue has our community excited to see the ground breaking and two new buildings sprout from the earth with a budget of approximately \$120 million.



OUTSTANDING DEBT AT FISCAL YEAR ENDED JUNE 30, 2018 AND JUNE 30, 2017				
			Outstanding 6/30/2018	Outstanding 6/30/2017
2005 Refunded GO Bonds			\$ 390,000	\$ 790,000
2018 GO Bonds Building Project \$79.3 million issued 8/23/18			\$ -	\$ -
Total			\$ 390,000	\$ 790,000



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 2018 was 35.711358 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.

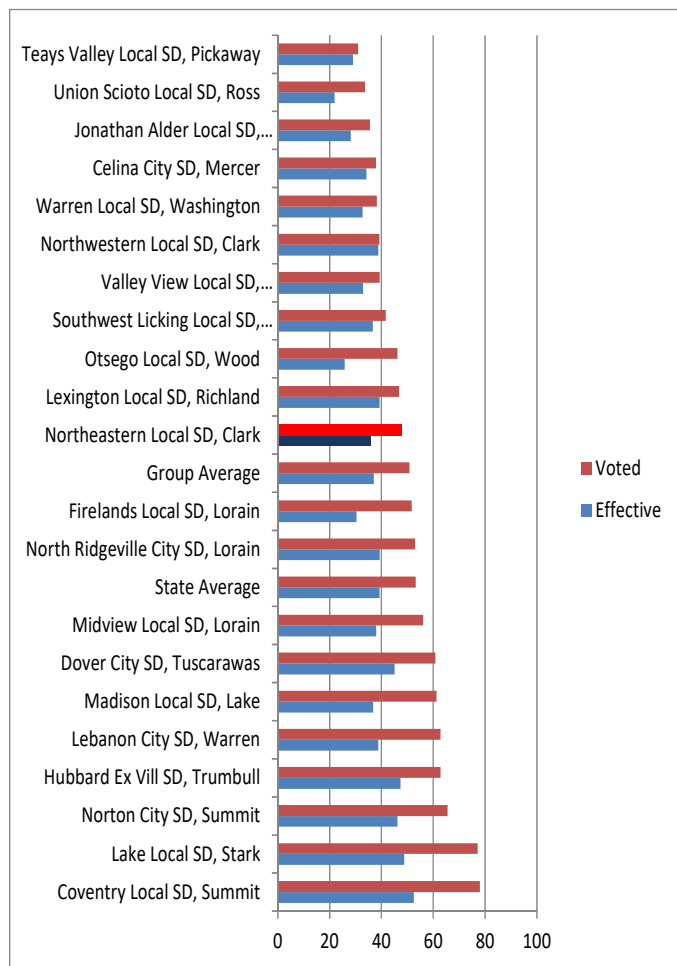
Note that any levies, new or replaced after December 2013, will not have the 12.5% State Credit reimbursed. The local taxpayers fund the entire levy.

Example	
Fair Market Value	\$ 100,000
Multiply Assess Value	<u>35%</u>
Equals Taxable Value	\$ 35,000
Multiple Millage Rate	<u>0.035711358</u>
Equals Total Tax	\$ 1,250
Less State Credits 12.5%	<u>87.5%</u>
Total School Tax Bill to Taxpayer	\$ 1,094



## 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 35.711358 mils on 48.0 voted mils.



## 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.

<u>District</u>	<u>Value 1 Mil</u>
Union Scioto Local SD, Ross	109.23
Hubbard Ex Village SD, Trumbull	115.18
Lake Local SD, Stark	126.39
Valley View Local SD, Montgomery	126.92
Teays Valley Local SD, Pickaway	129.22
Madison Local SD, Lake	130.73
Dover City SD, Tuscarawas	132.18
Lexington Local SD, Richland	133.31
Northwestern Local SD, Clark	138.05
Warren Local SD, Washington	142.73
Norton City SD, Summit	143.33
<b>Northeastern Local SD, Clark</b>	<b>147.35</b>
Southwest Licking Local SD, Licking	147.55
Group Average	149.03
Lebanon City SD, Warren	154.26
Celina City SD, Mercer	158.09
State Average	161.04
Midview Local SD, Lorain	168.93
Otsego Local SD, Wood	172.92
Jonathan Alder Local SD, Madison	174.35
North Ridgeville City SD, Lorain	181.11
Coventry Local SD, Summit	195.09
Firelands Local SD, Lorain	202.73

## Northeastern Board of Education



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Board Member



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