Northeastern Local School District

Popular Annual Financial Report

For Fiscal Year Ended June 30, 2022

Northeastern Local School District
1414 Bowman Rd.
Springfield, Ohio 45502
www.nelsd.org

2022 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, 2022. 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 Annual Comprehensive Financial Report 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 Annual Comprehensive Financial Report 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 Annual Comprehensive Financial Report 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.

2022 Financial Position Statement

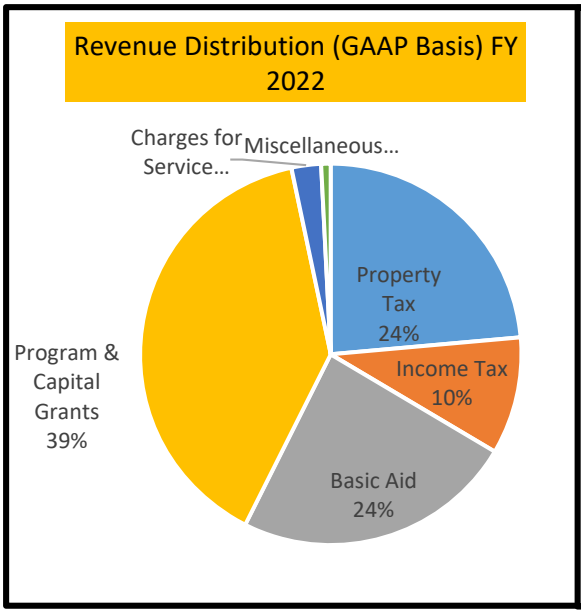
The Financial Position Statement below shows what the District owns compared to what the District owes. The difference between the two is the "Net Position" of the District.

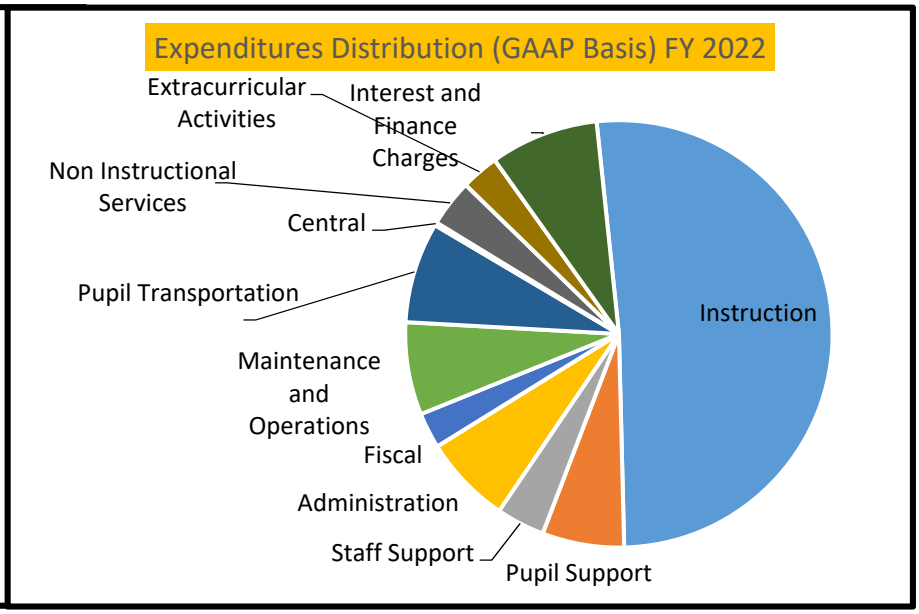
Currently, our Net Position is $39.7 million, an increase of $22.1 million from FY 2021. The District experienced an increase in Net Position due to an increase in value of work in progress as our construction process is an estimated 68% completed. NELSD Deferred Assets increase in Pension and Post-Employment Benefits accounts for $4.4 million of the increase.

Statement of Net Position -All Funds As of June 30, 2022 and June 30, 2021		
Assets	2022	2021
Cash & Investments	$ 57,771,898	$ 91,070,587
Receivables	$ 25,122,296	$ 23,793,765
Capital Assets	$ 93,806,660	$ 39,380,332
Deferred Outflows of Resources	$ 9,397,208	$ 7,651,417
Total Assets	$ 186,098,062	$ 161,896,101
Liabilities		
Short-Term Liabilities	$ 6,569,651	$ 4,111,364
Long-Term Liabilities	$ 103,842,829	$ 122,771,701
Deferred Inflows of Resources	$ 35,941,062	$ 17,371,874
Total Liabilities	$ 146,353,542	$ 144,254,939
Total Net Position	$ 39,744,520	$ 17,641,162
Total Liabilities & Net Assets	$ 186,098,062	$ 161,896,101

Statement of Activities- All Funds As of June 30, 2022 and June 30, 2021		
Revenues	2022	2021
Property Tax	$ 14,186,623	$ 18,325,752
Income Tax	$ 5,982,757	$ 5,307,410
Basic Aid	$ 14,369,171	$ 14,882,727
Program & Capital Grants	$ 23,636,731	$ 14,751,881
Charges for Service	$ 1,506,775	$ 3,169,154
Miscellaneous	$ 486,794	$ 323,529
Total Revenues	$ 60,168,851	$ 56,760,453
Expenses		
Instruction	$ 19,514,708	$ 24,856,525
Pupil Support	$ 2,361,032	$ 2,399,597
Staff Support	$ 1,394,568	$ 1,740,785
Administration	$ 2,552,508	$ 2,687,331
Fiscal	$ 1,027,224	$ 874,682
Maintenance and Operations	$ 2,666,793	$ 2,581,507
Pupil Transportation	$ 2,902,884	$ 2,257,954
Central	$ 88,684	$ 37,273
Non Instructional Services	$ 1,349,632	$ 1,338,153
Extracurricular Activities	$ 1,084,085	$ 1,050,902
Capital Outlay	$ -	$ -
Interest and Finance Charges	$ 3,123,375	$ 3,159,975
Total Expenses	$ 38,065,493	$ 42,984,684
Change in Net Position	$ 22,103,358	$ 13,775,769
Net Position at Beginning (Restated)	$ 17,641,162	$ 3,865,393
Net Position at End of the Year	$ 39,744,520	$ 17,641,162

COUGARS





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 Annual Comprehensive 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, 2022			
Assets	**Cash**	**Conversion**	**GAAP**
Cash & Investments	$ 56,252,763	$ 1,519,135	$ 57,771,898
Receivables	$ -	$ 25,122,296	$ 25,122,296
Capital Assets	$ -	$ 93,806,660	$ 93,806,660
Deferred Outflows of Resources	$ -	$ 9,397,208	$ 9,397,208
Total Assets	$ 56,252,763	$ 129,845,299	$ 186,098,062
Liabilities			
Short-Term Liabilities	$ -	$ 6,569,651	$ 6,569,651
Long-Term Liabilities	$ -	$ 103,842,829	$ 103,842,829
Deferred Inflows of Resources	$ -	$ 35,941,062	$ 35,941,062
Total Liabilities	$ -	$ 146,353,542	$ 146,353,542
Total Net Position	$ 56,252,763	$ (16,508,243)	$ 39,744,520

Northeastern Local School District Balance Sheet - All Funds As of June 30, 2022			
	Cash	**Conversion**	**GAAP**
Beginning Equity	$ 91,101,039	$ (73,459,877)	$ 17,641,162
Revenues	$ 61,549,245	$ (1,380,394)	$ 60,168,851
Expenses/Expenditures	$ 96,397,521	$ (58,332,028)	$ 38,065,493
Ending Equity	$ 56,252,763	$ (16,508,243)	$ 39,744,520

Cash Basis Five-Year Forecast

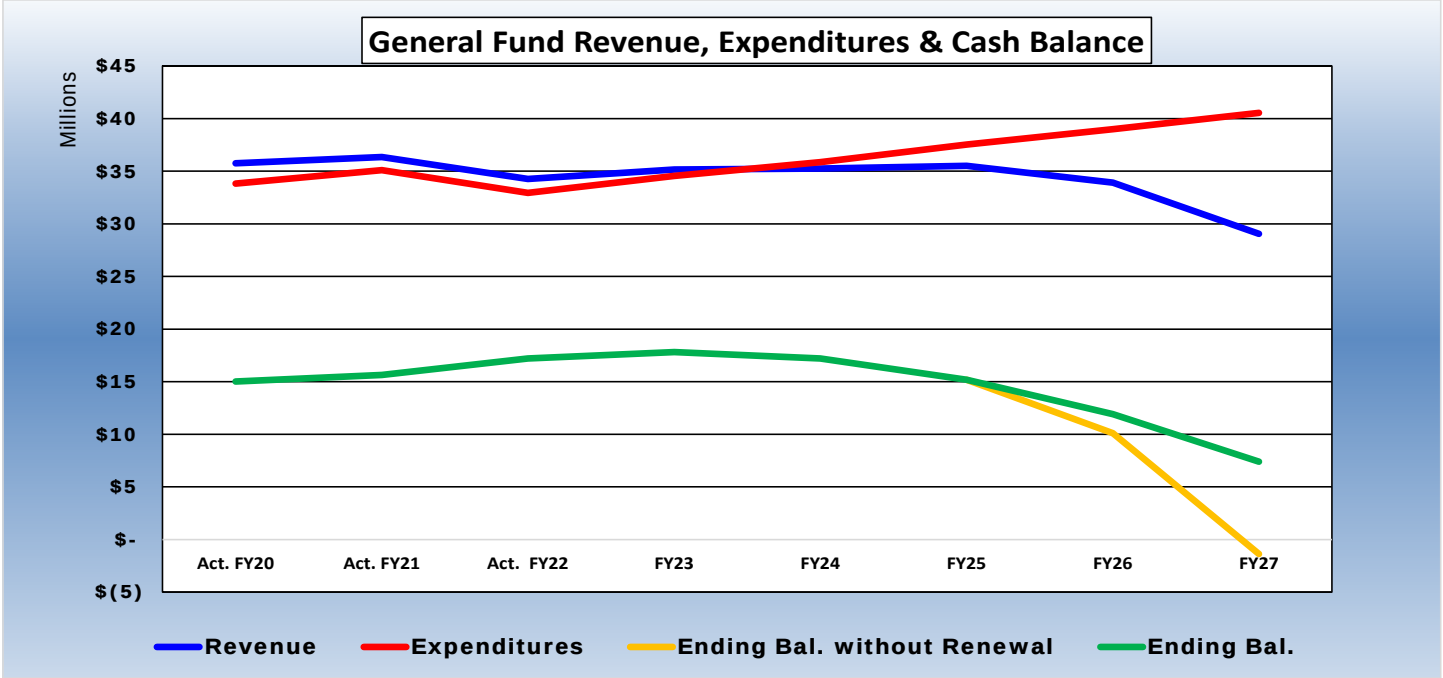
The Five-Year Forecast is the District's projection of cash available; noting the general direction that the finances of the Northeastern School District are heading. This will help the user understand any levy issues facing the District. The forecast reflects funding component computations from House Bill 110 (State Biennium Budget) and Fair Funding Formula that generates the amount of state funding. The new formula changed the reporting of some revenues and expenditures and does not project a favorable growth for the NELSD. 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. The District continues to use the Elementary and Secondary School Emergency Relief Fund (ESSER) to fund additional teaching staff to work towards closing the educational gap caused by COVID 19. An important financial issues is reflected on the graph below; the District will need to renew the 1% earned income tax levy before December 2025. The Income Tax Revenue has become the backbone of the financial stability of the District and accounts for 17% of the General Fund revenues. The projected revenues in the table below do not reflect the income tax revenues in FY26 and FY27. The graph does reflect renewal and non renewal as required in the five year forecast.

ACTUAL FOR FISCAL YEAR-GENERAL FUND

	Act 20	Act 21	Act 22
Revenue	$ 35,765,479	$ 36,346,600	$ 34,266,586
Expenditures	$ 33,817,540	$ 35,113,765	$ 32,948,087
Ending Cash Balance	$ 15,413,107	$ 16,645,942	$ 17,964,441

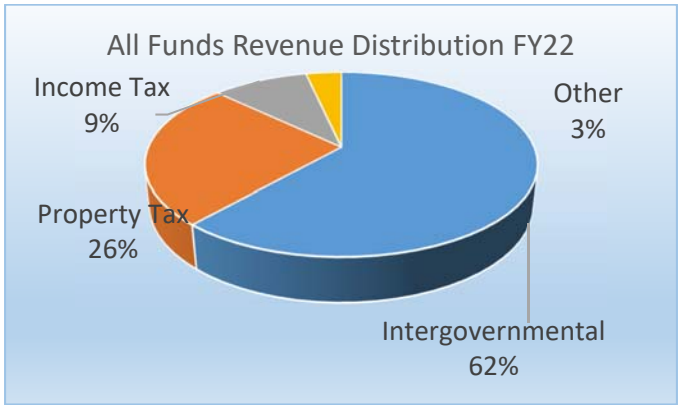
PROJECTED FIVE YEAR FORECAST BY FISCAL YEAR - GENERAL FUND

	Est 23	Est 24	Est 25	Est 26	Est 27
Revenue	$ 35,145,577	$ 35,252,818	$ 35,498,287	$ 33,924,640	$ 29,054,376
Expenditures	$ 34,543,113	$ 35,856,278	$ 37,524,901	$ 39,002,466	$ 40,532,735
Ending Cash Balance	$ 18,566,905	$ 17,963,445	$ 15,936,831	$ 10,859,005	$ (619,354)



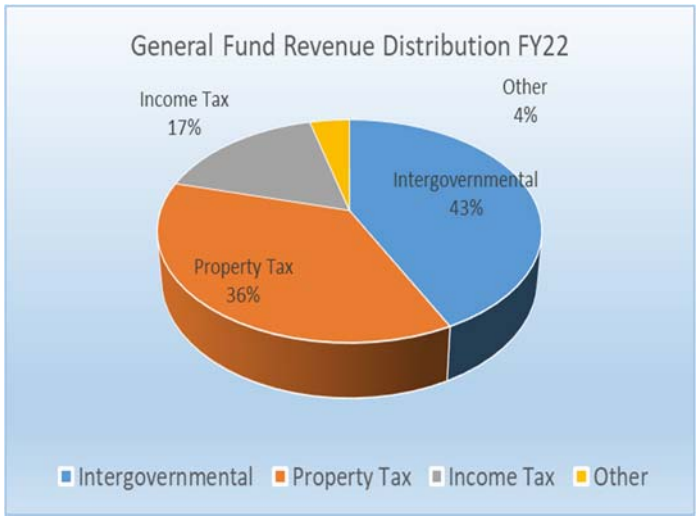
Where Does the Money Come From?

Our District receives 62% of our revenues from State and Federal grant dollars, higher than normal from the COVID 19 federal money and state money for the building project. The largest operating revenue source for the Northeastern Local School District is the local taxes which equals 35% of revenues. The second largest source is the basic aid, 24% that we receive based on a per student formulas from the State of Ohio. Again, for FY21 and FY22 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 53% of our General Fund in FY 2022; these revenues totaled $18.3 million. The State and Federal revenue made up 43% of our General Fund; these revenues totaled $14.6 million in FY 2022. The largest portion of this was in the "State Basic Aid" which is $12.6 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 (Millage Rate): The effective millage is the actual tax rate collected after HB920 reduces the tax rates for inflation. (See HB 920). The example on Page 9 details how to apply the variables.

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. No levies passed after December 2013 will not receive rollback credits from the state.

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 82.9 % of expenditures

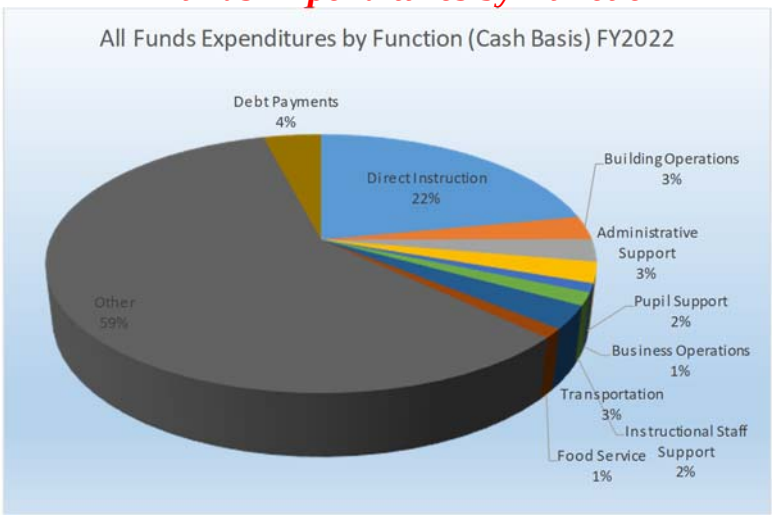
Purchased Services: are contracts with the Clark County Education Services Center for instructional services, tuition to other district, utilities, and contracts for services

Debt: interest and principal on outstanding debt.

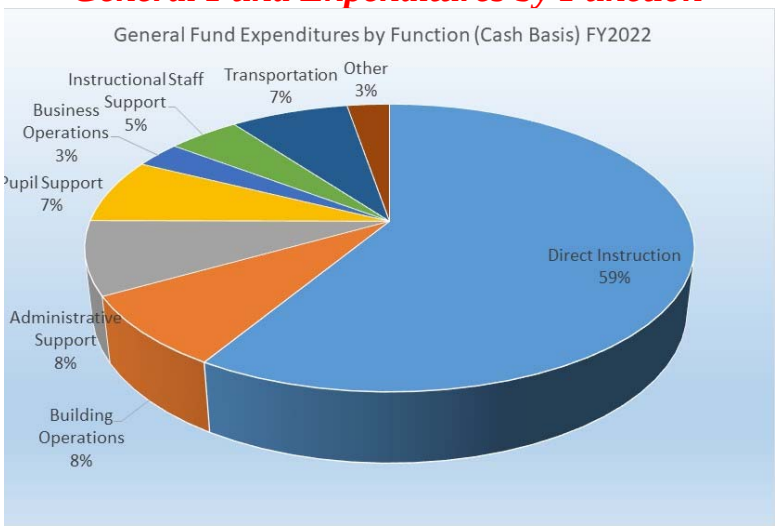
Supplies and Materials: office supplies, diesel fuel, instructional supplies, and computer software.

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

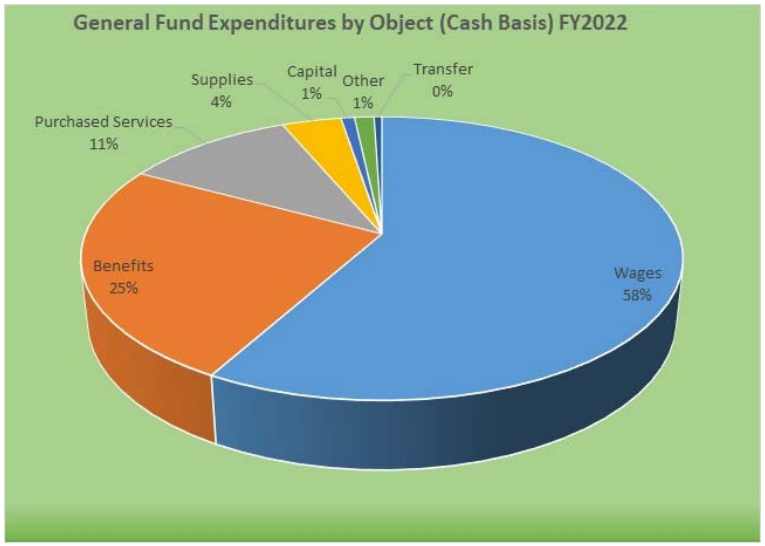
All Funds Expenditures by Function



General Fund Expenditures by Function

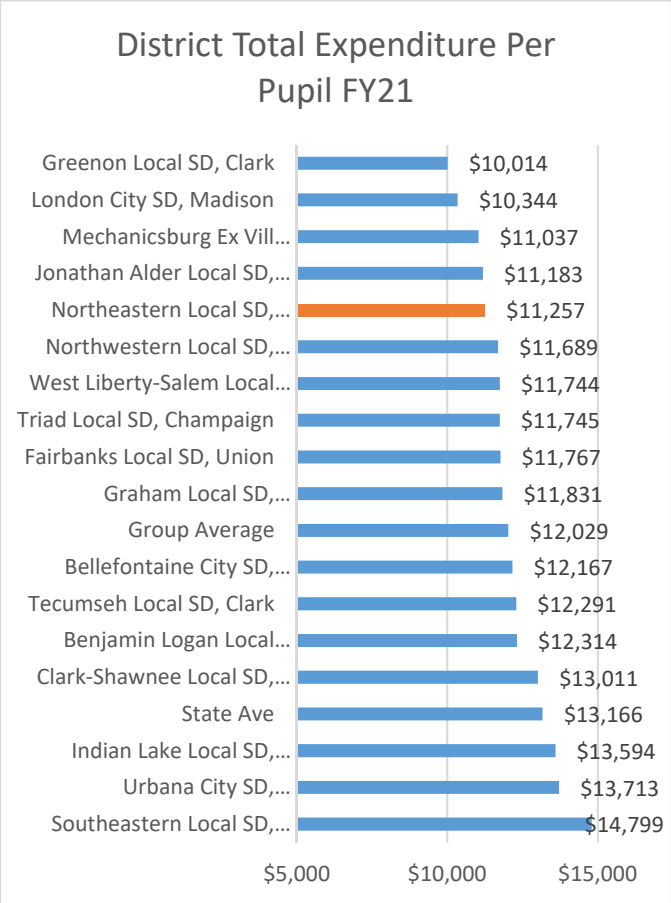


General Expenditures by Object



Expenditures Per Pupil

The chart below shows how the Northeastern Local School Districts' FY 2021, most current avaialable, expenditures per pupil compared to other districts which the Ohio Department of Education has computed, we have selected district in the area. 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 was a buzz with anticipation for the opening of our new Northeastern PK-12 building in August of 2022 and the new Kenton Ridge PK-12 building in August of 2023. The teachers and support staff worked hard in preparation for the opening of our new building on the Northeastern Campus, and it was indeed a district-wide effort, with staff from the Kenton Ridge Campus lending a hand to prepare. Our Northeastern team started moving items into the new building in June 2022. The teachers will begin officially moving into the new building in time for Summer School, with our Ribbon Cutting and Dedication kicking off the opening of the building on August 20, 2022.

The District hired additional staff using Elementary and Secondary School Emergency Relieve (ESSER) funds to provide individual and group tutoring and support to students to help fill the learning gaps created by COVID-19. In addition, we used data from the Ohio Department of Education's Restart Readiness Program at the high school level, engaged our students in small, teacher-driven focus groups, and employed the On To College online program. We used STAR winter screening data, PAST assessment data, and DIBELS to identify and monitor student progress at the elementary level. The District saw the learning gaps decrease and improvements in our State test scores for the 2021-22 school year, and will continue to focus on these academic areas of growth for the 2022-23 school year.

Finally, the District created a Key Communicators Committee of students, parents, alumni and staff members to continue emphasizing transparent communications with our community. This group was tasked with helping us strengthen our culture as a school district community by disseminating accurate information, dispelling myths and bringing issues to our attention, among other things. In addition, the District developed a comprehensive communications plan that was board approved at the July 2022 board meeting, including embarking on a website redesign for the 2022-23 school year.

District Goals

In the fiscal year 2022, the Board approved goals for the District to ensure that the quality of educational opportunities for our students are the best available. The goals identified are as follows:

1. Identify and work to close learning gaps created by the pandemic.
2. Transparent reporting of how our ESSER funds have been spent.
3. Develop a comprehensive communications plan for the District.
4. Work to improve our State test scores.
5. Inform and engage the community with updates to the building project and prepare for transitions to new buildings.

The School District evaluates our goals annually and makes adjustments as necessary to strive for the highest success for our NELSD community and its schools.

OUTSTANDING DEBT AT FISCAL YEAR ENDED JUNE 30, 2022 AND JUNE 30, 2021		
	Outstanding 6/30/2021	Outstanding 6/30/2022
2018 GO Bonds Building Project $79.3 million issued 8/23/18	$ 77,845,000	$ 77,075,000
Total	$ 77,845,000	$ 77,075,000

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. The Northeastern PreK-12 building opened on August 20, 2022.

How Your School Property Taxes Are Collected

The effective residential property tax rate for the Northeastern Local School District for 2022 was 32.013 mills.

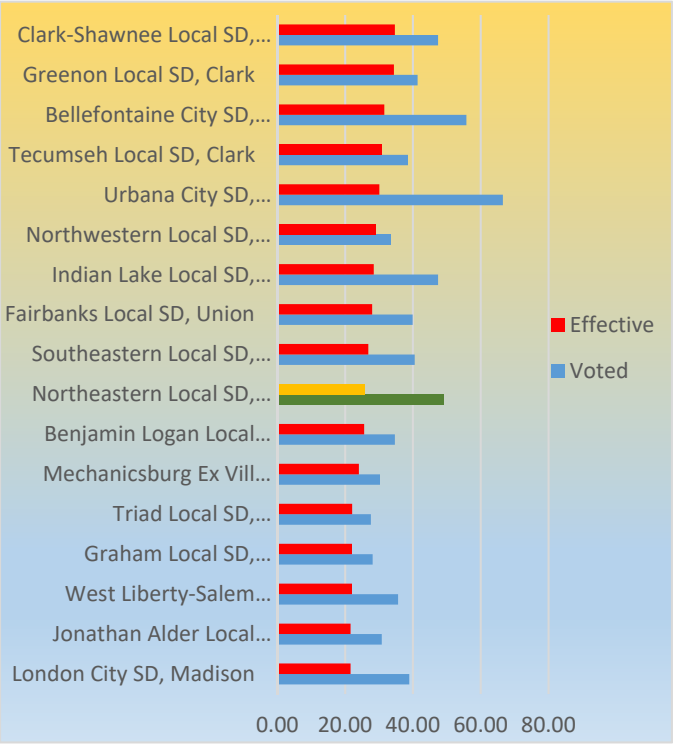
Residential taxes are calculated by applying the effective rate to the assessed valuation of your property. The assessed valuation is only 35% of the fair market value of your property. The example shown here illustrates the tax bill calculation for a property that has a fair market value of $100,000.

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	Taxes 2022	Taxes 2021
Fair Market Value	$ 100,000	$ 100,000
Multiply Assess Value	35%	35%
Equals Taxable Value	$ 35,000	$ 35,000
Multiple Millage Rate	0.032013229	0.032043177
Equals Total Tax	$ 1,120	$ 1,122
Less State Credits 12.5%	87.5%	87.5%
Total School Tax Bill to Taxpayer	$ 980	$ 981

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 32.013 mils on 55.5 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.

District	Value1 Mil
Tecumseh Local SD, Clark	$ 112.90
Bellefontaine City SD, Logan	$ 127.61
Mechanicsburg Ex Vill SD, Champaign	$ 150.11
Urbana City SD, Champaign	$ 152.83
West Liberty-Salem Local SD, Champ	$ 156.60
Northwestern Local SD, Clark	$ 161.10
Triad Local SD, Champaign	$ 161.21
Greenon Local SD, Clark	$ 166.45
Northeastern Local SD, Clark	$ 176.84
London City SD, Madison	$ 187.08
Graham Local SD, Champaign	$ 188.50
Southeastern Local SD, Clark	$ 188.90
Clark-Shawnee Local SD, Clark	$ 200.45
Jonathan Alder Local SD, Madison	$ 215.29
Benjamin Logan Local SD, Logan	$ 250.69
Fairbanks Local SD, Union	$ 270.51
Indian Lake Local SD, Logan	$ 323.81

Northeastern Board of Education

Mrs. Parker
President

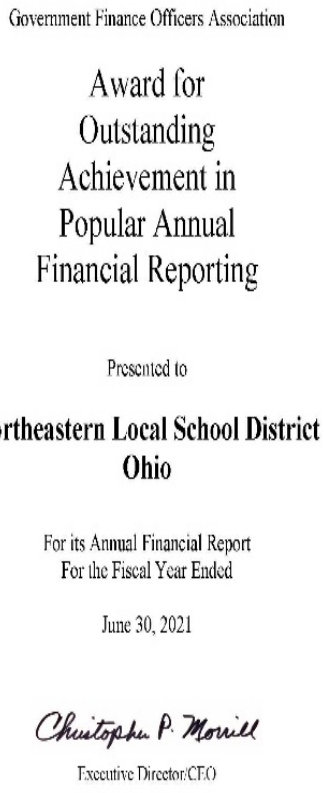
Mr.Yinger
Vice President

Mr.Augustus

Mr.Collins

Mr. Thompson

Superintendent	Dr. John P. Kronour
Assistant Superintendent	Mr. Shawn Blazer
Director of Pupil Personnel	Mr. Steve Linson
Director of Technology	Mr. John Schmid
Director of Operations	Mr. John Parrish
Treasurer/CFO	Mr. Dale R Miller



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

Northeastern Local School District
Ohio

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO