

OHIO AUDITOR OF STATE
KEITH FABER



**Niles City School District
Trumbull County, Ohio**

Fiscal Emergency Termination

Local Government Services Section

**Niles City School District
Trumbull County
Fiscal Emergency Termination**

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Niles City School District Financial Forecast For the Fiscal Years Ending June 30, 2022 through June 30, 2026	

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CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Niles City School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Niles City School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Niles City School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Ohio Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Ohio Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be non-adverse. Therefore, the existence of the Niles City School District Financial Planning and Supervision Commission and its role in the operation of the Niles City School District is terminated as of January 27, 2022.

Accordingly, this report is hereby submitted to the Niles City School District Board of Education, the Financial Planning and Supervision Commission, Mike DeWine, Governor, Kimberly Murnieks, Director of the Office of Budget and Management, Steven Mientkiewicz, Mayor of the City of Niles, and Stephanie Siddens, Interim State Superintendent of Public Instruction.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 27, 2022

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**Niles City School District
Trumbull County**

**Report on Termination of the Niles City School District
Financial Planning and Supervision Commission**

At the request of the Financial Planning and Supervision Commission of the Niles City School District (the Commission), Trumbull County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

The Declaration of Fiscal Emergency

Effective September 26, 2017, the Department of Education declared the Niles City School District, Trumbull County, to be in a state of fiscal caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for the fiscal year ending June 30, 2018 as well as the potential for deficits in future years.

The Auditor of State declared the Niles City School District (School District) in fiscal watch on June 14, 2018. This declaration was based upon the School District's failure to submit an acceptable plan to the Department of Education for eliminating the anticipated deficits that prompted the declaration of fiscal caution. Upon reviewing the School District's five-year forecast filed with the Department of Education on May 26, 2018, which included forecasted deficits of \$1,492,000, \$4,003,000 and \$7,382,000 for the fiscal years ending June 30, 2019, 2020 and 2021, and based on the Niles City School District Board of Education passing a resolution, dated April 19, 2018, stating their inability to adopt a financial recovery plan, the Auditor of State found the Department of Education's request that the Niles City School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit a financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board of education will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the Auditor of State's declaration of fiscal watch is to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Niles City School District Board of Education passed a resolution on January 14, 2019, stating their inability to develop a fiscal watch recovery plan acceptable to the Superintendent of Public Instruction.

Accordingly, the Auditor of State declared the Niles City School District to be in a state of fiscal emergency under Section 3316.03(B)(3) of the Ohio Revised Code on February 26, 2019. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;

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Trumbull County**

**Report on Termination of the Niles City School District
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3. The objectives of the financial recovery plan are being met; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor’s opinion, “nonadverse”.

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 – Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district’s financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Niles City School District and issued a Report on Accounting Methods, dated December 22, 2020. The report identified areas where the School District’s financial accounting and reporting system were not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary Process

Auditor of State Comment from Report on Accounting Methods:

- Total final appropriations for fiscal year 2020 exceeded estimated resources plus carryover balances in the title IV-B special revenue fund in violation of Section 5705.39, Revised Code.

Implemented:

Total final appropriations for fiscal year 2021 and the current appropriations in place for fiscal year 2022 were/are within estimated resources plus carryover balances in accordance with Section 5705.39, Revised Code for all School District funds.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- The various buildings and departments will typically hold receipts totaling less than \$1,000 for a week before depositing the receipts. Section 9.38, Revised Code, requires that receipts not exceeding \$1,000 to be deposited within three business days. The School District’s policy currently requires that receipts be deposited not more than one business day following the day of receipt.

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**Report on Termination of the Niles City School District
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Implemented:

The School District currently deposits receipts within the timeframe required in Section 9.38, Revised Code and they are in compliance with their policy.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received and when an invoice exceeds the purchase order/fiscal officer certification of funds. The document should be kept on file in the Treasurer's office.

Implemented:

The School District has documented the procedures for cash disbursements including staff positions and their functions. The procedures also identify that the Treasurer must resolve any issues when partial orders are received and the steps to be taken when an invoice exceeds the purchase order/fiscal officer certification of funds. This document has been provided to the staff that are subject to the policy and is kept on file in the Treasurer's office.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods:

- The employee who processes payroll has access to and is responsible for making rate adjustments and changes to the employee master file. An employee who does not process payroll should make rate adjustments and changes to the employee master file.

Implemented:

The employee who processes payroll continues to have access to and is responsible for making rate adjustments and changes to the employee master file. However, the Treasurer reviews and initials all changes made to the payroll system as well as doing periodic reviews of any changes that have been made that might not have been communicated.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The School District does not complete a physical inventory to verify the existence of capital assets. Per Board policy, the School District should complete a physical inventory every two years to verify the existence of capital assets.

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**Report on Termination of the Niles City School District
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Implemented:

The Board policy dated August 20, 2020 has been revised to state that the School District should complete a physical inventory every ten years to verify the existence of capital assets. The School District's most recent physical inventory was completed as of August 27, 2021. Although the School District is currently in compliance with the policy, a physical inventory is in the process of completion in order to ensure a complete and accurate reporting of capital assets.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer's office does not verify the existence or non-existence of any significant consumable inventory other than food service supplies. The Treasurer should verify that there are no significant inventories other than food service to be reported. This should be done by physically checking the areas where consumable inventories would be stored.

Implemented:

The Treasurer's office based on its procedures takes an inventory of consumable inventory other than food service supplies and verifies whether or not the amount is significant on an annual basis every June. This documentation is maintained in the Treasurer's office.

Auditor of State Comment from Report on Accounting Methods:

- The Board policy for capital assets does not address the transfer of assets from one building to another or one department to another, etc. The Board policy should be updated to address the transfer of assets.

Implemented:

The Board policy has been updated to address the transfer of assets from one department to another, etc. The School District is currently in compliance with this policy and all transfer of assets information is maintained in the Treasurer's office.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not attend annual training provided by the State Treasurer's Office for investments. The Treasurer is exempt from this training if the School District has no investments and the Treasurer files an exemption form. The form has not been filed.

Implemented:

The Treasurer is exempt from this training since the School District has no investments and the required exemption form has been filed and certified with the Treasurer of State.

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**Report on Termination of the Niles City School District
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Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- At the time the annual financial report is filed with the Auditor of State, the Treasurer must publish in the newspaper or on its website notice of the completion of the report and that the report is available for inspection. The School District has not published completion of the report in the newspaper or on its website for the past several years.

Implemented:

The School District published notice of the completion and availability of their fiscal year 2020 annual financial report in the newspaper.

Recent Audit Report and Compliance and Management Letters

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements as of and for the fiscal year ended June 30, 2020, on May 25, 2021. The report expressed an unmodified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. The management letter included noncompliance findings related to negative fund balances and allowable costs. The management letter also included recommendations related to the maintenance of capital assets, pensionable compensation, financial reporting and monitoring of proper supporting documentation.

The School District has corrected or is in the process of correcting the issues identified in the management letter; therefore, the Auditor of State has concluded that the issues identified in the management letter do not require that the School District's release from fiscal emergency be delayed.

Section 2 – Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.

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2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

Section 3 – Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District (dated May 29, 2020). The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

**Niles City School District
Trumbull County**

**Report on Termination of the Niles City School District
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1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.
2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.

Actions taken to achieve the provisions of the plan include the following:

1. Monitored operating expenditures;
2. Monitored personnel levels and reductions were implemented;
3. The School District prepared monthly reports of receipts, expenditures, and encumbrances, which were monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education.
4. The School District passed a ten year renewal of a 5.7 mill emergency levy in November 2019.

Section 4 – Five-Year Forecast

The Auditor of State examined the School District’s financial forecast for the fiscal years ending June 30, 2022 through 2026, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District’s five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2026. The Auditor of State, in a report dated November 2, 2021, rendered a “nonadverse” opinion on the financial forecast.

Section 5 – Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented an effective accounting and reporting system;
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

**Niles City School District
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**Report on Termination of the Niles City School District
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Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Niles City School District and its functions may be terminated.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

Niles City School District
Trumbull County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2022 through June 30, 2026

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Niles City School District – Trumbull County

Fiscal Emergency Termination

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Board of Education
Niles City School District
309 North Rhodes Avenue
Niles, Ohio 44446

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Niles City School District for the fiscal years ending June 30, 2022 through June 30, 2026, based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants. The Niles City School District's management is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented, in all material respects, in accordance with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions are suitable supported and provide a reasonable basis for the Board's forecast.

There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2019, 2020, and 2021 were compiled by us and we have not audited or reviewed the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying financial statements. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for determining that the cash basis of accounting is an acceptable framework. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Management has chosen to omit the disclosures associated with the cash basis of accounting.



Keith Faber
Auditor of State
Columbus, Ohio

November 2, 2021

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Niles City School District
Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2019 Through 2021 Actual;
For the Fiscal Years Ending June 30, 2022 Through 2026 Forecasted
General Fund

	Fiscal Year 2019 Actual	Fiscal Year 2020 Actual	Fiscal Year 2021 Actual
Revenues			
General Property Taxes	\$6,716,000	\$6,647,000	\$7,000,000
Unrestricted Grants-in-Aid	16,364,000	16,082,000	16,218,000
Restricted Grants-in-Aid	1,387,000	1,399,000	1,365,000
Property Tax Allocation	1,292,000	1,514,000	1,202,000
All Other Revenues	1,445,000	1,646,000	1,735,000
<i>Total Revenues</i>	<u>27,204,000</u>	<u>27,288,000</u>	<u>27,520,000</u>
Other Financing Sources			
Transfers In	0	0	1,000
<i>Total Revenues and Other Financing Sources</i>	<u>27,204,000</u>	<u>27,288,000</u>	<u>27,521,000</u>
Expenditures			
Personal Services	12,955,000	12,399,000	11,999,000
Employees' Retirement/Insurance Benefits	6,097,000	5,357,000	5,545,000
Purchased Services	6,193,000	6,647,000	6,694,000
Supplies and Materials	547,000	349,000	329,000
Capital Outlay	88,000	78,000	109,000
Debt Service:			
Principal-Energy Conservation Notes	132,000	132,000	0
Principal-School Bus Lease	33,000	0	0
Interest	12,000	5,000	0
Other Objects	211,000	289,000	335,000
<i>Total Expenditures</i>	<u>26,268,000</u>	<u>25,256,000</u>	<u>25,011,000</u>
Other Financing Uses			
Transfers Out	302,000	7,000	806,000
<i>Total Expenditures and Other Financing Uses</i>	<u>26,570,000</u>	<u>25,263,000</u>	<u>25,817,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	634,000	2,025,000	1,704,000
Cash Balance (Deficit) July 1	(269,000)	365,000	2,121,000
Adjustment	0	(269,000)	0
Cash Balance June 30	365,000	2,121,000	3,825,000
Encumbrances			
Actual/Estimated Encumbrances June 30	0	0	0
Fund Balance June 30 for Certification of Appropriation	<u>365,000</u>	<u>2,121,000</u>	<u>3,825,000</u>
Revenue from Renewal Levies			
General Property Taxes	0	0	0
Property Tax Allocation	0	0	0
<i>Total Revenue from Renewal Levies</i>	<u>0</u>	<u>0</u>	<u>0</u>
Cumulative Balance of Renewal Levies	0	0	0
Unencumbered/Unreserved Fund Balance June 30	<u>\$365,000</u>	<u>\$2,121,000</u>	<u>\$3,825,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See Independent Accountant's Report

Fiscal Year 2022 Forecasted	Fiscal Year 2023 Forecasted	Fiscal Year 2024 Forecasted	Fiscal Year 2025 Forecasted	Fiscal Year 2026 Forecasted
\$7,361,000	\$7,474,000	\$6,975,000	\$6,827,000	\$6,941,000
14,226,000	14,608,000	14,608,000	14,608,000	14,608,000
1,932,000	2,022,000	2,022,000	2,022,000	2,022,000
1,154,000	1,171,000	1,092,000	1,066,000	1,083,000
789,000	650,000	650,000	650,000	650,000
<u>25,462,000</u>	<u>25,925,000</u>	<u>25,347,000</u>	<u>25,173,000</u>	<u>25,304,000</u>
5,000	6,000	6,000	6,000	6,000
<u>25,467,000</u>	<u>25,931,000</u>	<u>25,353,000</u>	<u>25,179,000</u>	<u>25,310,000</u>
11,321,000	11,112,000	10,975,000	12,454,000	12,647,000
5,109,000	5,436,000	5,750,000	6,933,000	7,191,000
4,180,000	4,020,000	4,053,000	4,097,000	4,157,000
347,000	347,000	395,000	395,000	395,000
58,000	51,000	64,000	64,000	64,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
343,000	353,000	380,000	377,000	385,000
<u>21,358,000</u>	<u>21,319,000</u>	<u>21,617,000</u>	<u>24,320,000</u>	<u>24,839,000</u>
5,000	6,000	6,000	106,000	106,000
<u>21,363,000</u>	<u>21,325,000</u>	<u>21,623,000</u>	<u>24,426,000</u>	<u>24,945,000</u>
4,104,000	4,606,000	3,730,000	753,000	365,000
3,825,000	7,929,000	12,535,000	16,265,000	17,018,000
0	0	0	0	0
<u>7,929,000</u>	<u>12,535,000</u>	<u>16,265,000</u>	<u>17,018,000</u>	<u>17,383,000</u>
50,000	50,000	50,000	50,000	50,000
<u>7,879,000</u>	<u>12,485,000</u>	<u>16,215,000</u>	<u>16,968,000</u>	<u>17,333,000</u>
0	0	613,000	1,122,000	1,122,000
0	0	97,000	178,000	178,000
0	0	<u>710,000</u>	<u>1,300,000</u>	<u>1,300,000</u>
0	0	710,000	2,010,000	3,310,000
<u>\$7,879,000</u>	<u>\$12,485,000</u>	<u>\$16,925,000</u>	<u>\$18,978,000</u>	<u>\$20,643,000</u>

**Niles City School District
Trumbull County**

**Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2022 through June 30, 2026**

Note 1 – The School District

The Niles City School District (the School District) is located in Trumbull County and encompasses Niles City. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one elementary school, one intermediate school, one middle school, one high school and one administration building. The School District is staffed by 78 classified and 165 certificated personnel to provide services to approximately 2,220 students and other community members.

On February 26, 2019, the School District was declared to be in a state of “Fiscal Emergency” under Section 3316.03(B)(2) by the Auditor of State. The declaration was due to the School District’s declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Mayor of the City of Niles. The Commission’s primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan.

Note 2 – Nature of the Forecast

This financial forecast presents, to the best of the Niles City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of November 2, 2021, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the general fund supported debt is included in the general fund.

Note 4 – Summary of Significant Accounting Policies

Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the

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encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Fund Accounting

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows.

Governmental Funds

General Fund – The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds – Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds – Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

Proprietary Funds

Enterprise Funds – Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

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Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated.

Budget – A budget of estimated cash receipts and disbursements is submitted to the Trumbull County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources – The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances – The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 – General Operating Assumptions

The Niles City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

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Note 6 – Significant Assumptions for Revenues and Other Financing Sources

General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property and manufactured homes, which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Trumbull County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. Property tax revenue received during calendar year 2022 (the collection year) for real and public utility property taxes represents collections of 2021 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of credits and deductions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account “Property Tax Allocation”.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2023 scheduled property tax settlements. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board’s intent not to appropriate any such advances for fiscal years 2022 through 2026.

The property tax revenues for the general fund are generated from several levies. The current levies being collected for the general fund, the year approved, first and last year of collections, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved</u>	<u>First Calendar Year of Collection</u>	<u>Last Calendar Year of Collection</u>	<u>Full Tax Rate (Per \$1,000 of Assessed Valuation)</u>
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$5.70
Continuing Operating	1976	1977	n/a	26.10
Continuing Operating	1996	1997	n/a	4.95
Emergency (\$1,300,000)	2019	2020	2030	5.65
Emergency (\$1,300,000)	2012	2014	2023	5.65
Total Tax Rate				<u>\$48.05</u>

The voters of the School District passed the renewal of the \$1,300,000 10 year emergency levy on the November 5, 2019 ballot. The School District also has two classroom facilities levies equal to \$1.00 per \$1,000 of assessed valuation and three debt service levies totaling \$7.25 per \$1,000 of assessed valuation. The School District’s total tax rate is \$56.30 per \$1,000 of assessed valuation. The School District plans to place any levies up for renewal on the ballot.

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Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$41.05 per \$1,000 of assessed valuation for collection year 2022, and the effective commercial and industrial real property tax rate is \$46.34 per \$1,000 of assessed valuation for collection year 2022.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes.

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast represent gross property tax revenue and are based upon information provided by the Trumbull County Auditor. The School District anticipates an increase of \$361,000 in fiscal year 2022 from the prior fiscal year due to an increase in assessed values from the Trumbull County’s 2021 triennial update. For fiscal years 2023 through 2026, property taxes are forecast to increase due to small estimated increases in assessed values based on historical trends and assessed value factors; however, a decrease will be shown in the revenues section of the forecast because certain emergency operating levies will be up for renewal during fiscal years 2024 through 2026. Trumbull County’s triennial reappraisal update was during tax year 2021 and the next reappraisal update will be in tax year 2024.

The School District has an emergency levy with the last year of collection in calendar year 2023. While the School District anticipates renewing this levy, voter approval is uncertain, and the tax revenues have been excluded from the revenues section and presented under the heading Revenue from Renewal Levies. Decreases of \$613,000, \$1,122,000, and \$1,122,000 in total property tax revenues are forecasted for fiscal years 2024, 2025 and 2026, respectively, due primarily to half year decreases in 2023 related to the emergency levy, which are offset partially by the expected increases in assessed valuation.

Unrestricted Grants-in-Aid

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula that was in place. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continued to use the current fiscal year count taken during the first full week of October. (Fiscal year 2014 was the last year an October count week was used. Districts are now paid based on an annualized FTE enrollment). This amount (from the October 2014 count week) was then multiplied by the State Share Index, which factored in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts were guaranteed the amount received for fiscal year 2013 (including transportation aid and

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funding for career technical education) and no school district received an increase greater than 6.25 percent for fiscal year 2014 or 10.5 percent for fiscal year 2015. For fiscal years 2016 and 2017, the SFPR continues to be used and the calculation of foundation funding is similar to fiscal year 2015. School districts are guaranteed the amount received for fiscal year 2015 (excluding capacity aid, transportation supplement, graduation bonus, and third grade reading bonus), and limited to an increase of 7.5 percent in each fiscal year. For fiscal year 2017, career-technical education funding has been removed from the guarantee base and exempt from the 7.5 percent increase cap. There were no significant changes to the structure of the funding formula for fiscal years 2018 and 2019. Limited growth in State revenues left all per pupil amounts flat funded to fiscal year 2017 amounts, with the exception of a \$10 annual increase in the per pupil amount for the Opportunity Grant. The guarantee for fiscal year 2018 and 2019 is 100 percent of fiscal year 2017 foundation funding (with the continued exclusion of career-technical education funding), unless the school district has lost more than 5 percent of resident enrollment (ADM) between fiscal year 2014 and 2016. Districts who have experienced enrollment loss are subject to a modified guarantee base that is no less than 95 percent of fiscal year 2017 foundation funding. School districts can receive up to 3 percent growth in foundation funding (with career-technical education funding exempt), unless a district has experienced increasing enrollment. For growing districts, the cap was 5.5 percent in fiscal year 2018 and is 6.0 percent in fiscal year 2019.

Foundation formula funding in fiscal year 2020 was the total funding the district has received in fiscal year 2019 as foundation formula after the application of the guarantee and the funding cap. On May 5, 2020, the Governor ordered the Department of Education to reduce State foundation funding by \$300.5 million before the end of fiscal year 2020. The ordered reductions were made using an equalized per-pupil approach. This generally results in more modest reductions to districts with less local capacity and is considered to be more equitable than either a flat, per-pupil reduction approach or reduction in the percentage of State aid. The reductions ranged from \$88.76 per-pupil for the districts with the lowest local capacity, to \$304.32 for the districts with the highest local capacity.

Historically, the State distributes funds to school districts based on an equalization formula that takes into account the local capacity of each school district and provides more funding on a per-pupil basis, to schools with lower capacity and wealth. In the formula effective through fiscal year 2021 that was last calculated in fiscal year 2019, local capacity was calculated using a State share index. The State share index combines the property wealth of the school district with the income of its residents resulting in a percentage ranging from 5 percent to 90 percent. This State share index was then applied to the per-pupil amount of the formula to determine the amount State funds provided to the district, with districts having the lowest State share percentage receiving the least funding per-pupil and those with the highest State share percentage receiving the most.

Foundation formula funding for fiscal year 2021 was the total funding the district received in fiscal year 2019 as foundation formula after the application of the guarantee and the funding cap that were in place in fiscal year 2019, reduced by the funding cuts that were introduced in fiscal year 2020 in response to the COVID-19 pandemic emergency.

In fiscal year 2022, the State General Assembly adopted a new funding method. The “Fair School Funding Plan,” as named by the advocates of the model, incorporate a number of shifts in the calculation of state foundation funding. This includes four major changes in how schools and districts are funded.

Funding students where they are educated For many years, students were funded where they lived, and then funds were transferred if student and families choose education options like community schools, scholarships/vouchers, and open enrollment. Starting in fiscal year 2022, students will be funded where they are educated. There will still be situations where transfers and deductions will

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occur, but the majority of the transfers between educational entities will end in fiscal year 2022. For some school districts, this will result in significant variances in both revenue and expenditures on the five year forecast.

Base cost methodology The most recent school funding system used a base cost per pupil amount of \$6,020. The Fair School Funding plan uses an input based funding model informed by the professional judgement of practitioners. The base cost – which will a unique calculation for each school district, calculates costs based on student to staff ratios, statewide average salaries and costs, and represents the costs required to educate the average student in the State of Ohio.

State/Local share School funding has always been a partnership between the state of Ohio and the local school district. The formula works to equalize funding and provide additional state resources for schools and districts who do not have local capacity and wealth to raise revenues locally. Previously, a state share index was used to determine how much of the various per pupil amounts would be provided by the state vs. expected by the local school district. The state share index used an index (the relative position of a district compared to a statewide median or average) to determine this amount. It relied primarily on property values, provide an income adjustment to some districts, and resulted in a range of 5 percent for the wealthiest districts in the state and 90 percent for the districts with the lowest capacity. The revised school funding formula moves to a more uniform calculation Fair School Funding Plan uses a more stable and predictable method of determining what this split looks like. The calculation assumes a local contribution of up to 25 mills for the wealthiest districts in the State down to 12 mills for the districts with the lowest capacity. This amount is determined using both assessed property values (60 percent of the calculation), federally adjusted gross income (20 percent), and median income (20 percent) to determine a local per pupil capacity amount. The ratio between this amount and the district's base cost per pupil amount is the state share percentage, with a 5 percent minimum.

Categorical Funding The funding formula has long provided additional funds based on student demographics and needs (low-income students, students with disabilities, English learners, etc.). The budget generally restricts more of these funds to support these specific student subgroups. Starting in fiscal year 2022, funding for English Learner and Gifted students are now subject to spending requirements. This is in addition to funding for economically disadvantaged students (disadvantaged pupil impact aid) and career-technical education.

Like previous funding formula, the new funding formula provides the protection of funding losses and limits the amount of growth a school district can receive in state aid. Three different guarantees (in both permanent and temporary law) will generally ensure that school districts do not receive less state aid in fiscal year 2022 or fiscal year 2023 compared to fiscal year 2021 levels, net of transfers and adjustments for open enrollment, community school, STEM school, and scholarship transfers. The Fair School Funding plan also contemplates a six year phase in. As a result, school districts will see up to 1/6 of the impact of the new formula in fiscal year 2022 and 1/3 of the impact in fiscal year 2023. The phase-in, while different than the growth cap used in previous formula, will limit increases in funding a school district can receive.

Based on the most current Ohio Department of Education estimates, the School District forecasts \$14,101,000 and \$14,486,000 in foundation funding reported in the general fund for fiscal years 2022 and 2023, respectively. For fiscal year 2021, the School District reported \$2,879,000 in unrestricted grants-in-aid and expenditures/expense related to the community school, STEM school, scholarship funding and students participating in open enrollment programs that under the new school funding model will no longer be received by and paid to other school districts by Niles City School District. The remaining fiscal years are forecasted to be consistent with fiscal year 2023.

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The School District receives additional unrestricted grants-in-aid revenue due to casino revenue. Of the casino revenue collected by the State, thirty-four percent is distributed to school districts, based on student population. For fiscal year 2022, the School District anticipates casino revenue of \$125,000, for a total unrestricted grants-in-aid amount of \$14,226,000. For fiscal years 2023 through 2026, \$122,000 is anticipated in casino revenue for a total unrestricted grants-in-aid amount of \$14,608,000.

Restricted Grants-in-Aid

Restricted grants-in-aid consist of revenue to aid career technologies programs, State poverty based assistance programs, and catastrophic aid in fiscal years 2019 through 2021. In those prior years, student wellness and success funding was required to be accounted for in a restricted special revenue fund. Starting in fiscal year 2022, restricted grants-in-aid consist of revenue generated for disadvantaged pupil impact aid, student wellness and success funding, career-technical education programs, English learners, and Gifted students and programs.

Restricted revenues consist of the following:

	Forecasted				
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Disadvantaged Pupil Impact Aid	\$1,260,000	\$1,324,000	\$1,324,000	\$1,324,000	\$1,324,000
Gifted Education	134,000	150,000	150,000	150,000	150,000
Career Technical Education	37,000	41,000	41,000	41,000	41,000
English Learners	4,000	4,000	4,000	4,000	4,000
Student Wellness and Success	470,000	476,000	476,000	476,000	476,000
Catastrophic Aid	27,000	27,000	27,000	27,000	27,000
Totals	\$1,932,000	\$2,022,000	\$2,022,000	\$2,022,000	\$2,022,000

Property Tax Allocation

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated credits and deductions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the ten percent non-business credit and the two and one-half percent owner occupancy credit will no longer apply to new levies that are enacted after August 31, 2013. In addition, tax relief is granted to owner occupants who meet certain age and disability requirements in the form of an additional homestead exemption. These changes reduce reimbursements from the State and increase real property tax revenue. The School District is anticipating the property tax allocation in fiscal year 2022 to decrease from the prior fiscal year based upon information provided by the Trumbull County Auditor and due to the phase out of the tangible personal property loss reimbursement. For fiscal year 2023 property tax allocation is forecasted to increase somewhat due to small estimated increases in assessed values based on trends and assessed value factors. Fiscal years 2024 through 2026 will see decreased earnings if levies are not renewed during that time. The tangible personal property loss reimbursement is forecasted to remain consistent based on Ohio Revised Code Section 5705.92(E)(1) regarding fixed sum debt purpose reimbursements.

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Property tax allocation revenues consist of the following:

	Forecasted				
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Credits and Deductions	\$1,120,000	\$1,137,000	\$1,058,000	\$1,032,000	\$1,049,000
Tangible Personal Property Loss Reimbursement	34,000	34,000	34,000	34,000	34,000
Total	\$1,154,000	\$1,171,000	\$1,092,000	\$1,066,000	\$1,083,000

All Other Revenues

All other revenues include open enrollment and other tuition, interest income, rentals, Medicaid reimbursements, and other revenues.

Open Enrollment tuition revenue decreased due to the change in the State foundation funding formula. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school.

Tuition is expected to increase from the prior fiscal year, which is attributable to increased excess cost reimbursements for special education from fiscal year 2021. The remaining forecast is expected to stay consistent with fiscal year 2022.

Transportation reimbursement is forecasted to increase from the prior fiscal year as the School District's students are back in the classrooms five days a week. The remaining forecast is expected to stay consistent with fiscal year 2022.

Interest income is forecasted to decrease from the prior fiscal year based upon decreased interest rates. The remaining forecast is expected to stay consistent with fiscal year 2022.

The School District is anticipating rental revenue from outside parties using the School District's facilities in fiscal year 2022 to increase over the prior fiscal year. This is due to an increase in the monthly rent for the Trumbull County Action Program.

Medicaid reimbursements are expected to increase from the prior fiscal year based on fiscal year to date earnings. Fiscal years 2023 through 2026 are expected to remain unchanged from fiscal year 2022.

Other revenues consist largely of refunds from the Bureau of Workers' Compensation (BWC), various reimbursements and small miscellaneous revenues. In December 2021, BWC issued a dividend of approximately 372 percent of the 2019 policy year premium. The School District received \$320,000 from this dividend. This is not forecasted to reoccur during the forecast period. Based on amounts received to date, other revenues are expected to decrease over the prior fiscal year. For fiscal years 2023 through 2026, the School District anticipates a reduction of other revenues due to the School District not anticipating a refund from the School Employees Retirement System due to more accurate salary projections being submitted.

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All other revenues consist of the following:

	Forecasted				
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Other Tuition	\$207,000	\$207,000	\$207,000	\$207,000	\$207,000
Transportation Reimbursement	56,000	56,000	56,000	56,000	56,000
Interest Income	5,000	5,000	5,000	5,000	5,000
Rentals	187,000	189,000	189,000	189,000	189,000
Medicaid Reimbursements	168,000	168,000	168,000	168,000	168,000
Other	166,000	25,000	25,000	25,000	25,000
Totals	\$789,000	\$650,000	\$650,000	\$650,000	\$650,000

Other Financing Sources

The School District is forecasting transfers from the student activities fund to move balances from one cost center to another.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and Board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by an administrative agreement.

Staffing levels for the past three fiscal years and the current fiscal year are displayed in the chart below. Staffing levels for fiscal year 2022 decreased from the prior fiscal year. Staffing levels for fiscal year 2023 are forecasted to decrease by one employee and staffing levels for fiscal year 2024 are forecast to decrease by 5 employees due to the anticipated retirement of employees and the School District not replacing them. Fiscal years 2025 and 2026 are anticipated to remain at fiscal year 2024 levels.

	2019	2020	2021	2022
General Fund:				
Certified	163	159	147	138
Classified	58	62	59	55
Total General Fund	221	221	206	193
Other Funds				
Certified	17	15	22	28
Classified	28	23	25	25
Total Other Funds	45	38	47	53
Totals	266	259	253	246

The School District was allotted approximately \$914,000 in ESSER I monies of which \$5,000 was used to pay for summer school salaries during the summer of 2021 as well as \$120,000 for food service employee salaries. The School District was allotted approximately \$3,465,000 in ESSER II monies of which \$1,166,000 are forecast to be used for a portion of fiscal year 2022 general fund employee salaries. The School District was allotted approximately \$7,787,000 in ARP monies of which \$1,227,000 are forecast to be used for fiscal year 2023 and \$1,227,000 for fiscal year 2024 for a portion of general fund employee salaries.

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Certified (teaching) staff salaries are based on a negotiated contract, which includes step increases and educational incentives for existing staff. The contract covers the period of September 1, 2019 through August 31, 2022. The School District was paying seven certified employees out of the student wellness fund during fiscal year 2021. Since the student wellness funding is now being reported in the general fund beginning in fiscal year 2022, these employees' salaries are being accounted for in the general fund throughout all fiscal years of this forecast. The School District is using ESSER monies to pay for fifteen certified employees for fiscal years 2022 through 2024. There were also three certified employees who retired and were not replaced during fiscal year 2022. Due to the certified employees being paid out of the ESSER funds and the fiscal year 2022 retirees not being replaced, total general fund certified staff salaries are forecast to decrease by \$794,000 in fiscal year 2022. No base salary increases were included in the forecasted salaries for fiscal years 2022 through 2026; however, approved step increases have been included in forecasted salaries for those fiscal years. Each one percent increase in certified salaries will cost the School District approximately \$84,000 based on fiscal year 2022 information. Fiscal year 2023 will see a decrease due to the anticipated retirement of five employees, replacing four at a lower rate and not replacing one. Fiscal year 2024 is forecasting a decrease due to the anticipated retirement of five employees, not replacing four and replacing one at a lower rate. Fiscal years 2025 and 2026 are forecasting an increase due to no longer paying employees out of ESSER funding.

Classified salaries are based on a negotiated contract, which includes step increases. The contract being followed covers the period of September 1, 2019 to August 31, 2022. No base salary increases were included in the forecasted salaries for fiscal years 2022 through 2026; however, approved step increases have been included in forecasted salaries for those fiscal years. Classified salaries are anticipated to decrease by \$182,000 in fiscal year 2022 due to three employees being paid out of the ESSER monies that was not done in prior fiscal years as well as the School District's inability to hire bus drivers to replace those who have resigned. Classified salaries are forecast to decrease in fiscal year 2023 due to paying an additional employee out of ESSER funding. Fiscal year 2024 is forecasting a decrease due to the anticipated retirement of an employee not being replaced. Fiscal years 2025 and 2026 are forecasting an increase due to no longer paying employees out of ESSER funding. Each one percent increase in classified salaries will cost the School District approximately \$19,000 based on fiscal year 2022 information.

Substitute salaries in fiscal year 2022 are forecasted to increase from the prior fiscal year due to additional substitutes being required. Last fiscal year the School District was not in person for a portion of the year due to COVID-19 restrictions and the need for substitutes was not as great as it is during fiscal year 2022. In addition, the School District is having a difficult time finding individuals wanting to substitute so they have increased the substitute rates for both the certified and classified categories. The remaining fiscal years are forecast to remain at fiscal year 2022 levels.

Supplemental salaries in fiscal year 2022 are forecasted to increase slightly from the prior fiscal year due to additional monitoring being required. Supplemental salaries are anticipated to remain consistent throughout the remaining fiscal years of the forecast.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified employees is equal to 35 percent of accumulated sick leave days, not to exceed 70 days. In addition, all unused accumulated sick leave days, in excess of two hundred days up to the maximum allowable at retirement, shall be paid at the rate of \$50 per day. This is restricted to employees employed by the Board with eight consecutive years and have contributed to STRS for a minimum of eight years. Severance pay to classified employees is restricted to employees with 10 years of service with the School District. Upon meeting this criteria, classified severance is equal to 35 percent of accumulated sick leave days, not to exceed 70 days. In

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**Summary of Significant Assumptions and Accounting Policies
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addition, all unused accumulated sick days, in excess of two hundred days up to a maximum allowable at the time of retirement shall be paid at the rate of \$40 per day. This is restricted to employees employed by the Board with eight consecutive years and have contributed to SERS for a minimum of eight years. Severance is payable following certification of approval of retirement benefits by STRS and SERS. Severance costs for fiscal year 2022 are forecast to increase due to the School District doing a retirement incentive during fiscal year 2021. This was a one-time incentive with certified employees receiving \$8,000 and classified employees receiving \$4,000. The payment of these incentives was split between fiscal years 2021 and 2022. Fiscal years 2023 and 2024 are forecast to decrease but still a bit higher than average due to the School District anticipating additional retirements. For fiscal years 2025 and 2026, severance costs are anticipated to level off to average prior fiscal year amounts.

Overtime was lower in fiscal year 2021 due to COVID-19 operational restrictions, which is not anticipated to continue throughout the forecast period. As mentioned previously, the School District is having difficulty finding substitutes. As a result, the School District's current employees have been filling in when schedules permit, thus increasing the overtime costs for those employees for fiscal year 2022. The remaining forecast years are expected to be consistent with fiscal year 2022.

School District employees receive an attendance incentive for not taking sick or personal days. Any certified employee who has used one sick day or less during a semester is granted a \$200 stipend at the end of each semester. Certified employees having personal days not utilized are reimbursed at the rate of \$150 per day not used. Classified employees who have used one sick day or less during a semester are granted payment of one day at that employee's daily rate of pay. In addition, classified employees who have unused personal days, are reimbursed at that employee's daily rate of pay. The attendance incentive is forecast to be higher during fiscal year 2022 based on expenditures thus far this fiscal year. The attendance incentive is forecasted to remain consistent throughout the remainder of the forecast period.

Employees receive a stipend in lieu of taking the School District's hospitalization. This amount is anticipated to remain consistent throughout the forecast period.

The School District pays for the Superintendent's and Treasurer's cell phone contracts. The amount of this contract is expected to remain consistent with the prior fiscal year and remain consistent throughout the forecast period.

With the consistent nature of Board of Education meetings, Board salaries are forecasted to remain consistent with the prior fiscal year throughout the forecast period.

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Personal services for the forecast period consist of the following:

	Forecasted				
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Certified Salaries	\$8,437,000	\$8,389,000	\$8,239,000	\$9,401,000	\$9,565,000
Classified Salaries	1,755,000	1,722,000	1,709,000	2,028,000	2,057,000
Substitute Salaries	309,000	309,000	309,000	309,000	309,000
Supplemental Contracts	352,000	352,000	352,000	352,000	352,000
Severance	214,000	86,000	112,000	110,000	110,000
Overtime	80,000	80,000	80,000	80,000	80,000
Attendance Incentive	99,000	99,000	99,000	99,000	99,000
In Lieu of Hospitalization	62,000	62,000	62,000	62,000	62,000
Other	2,000	2,000	2,000	2,000	2,000
Board Salaries	11,000	11,000	11,000	11,000	11,000
Totals	\$11,321,000	\$11,112,000	\$10,975,000	\$12,454,000	\$12,647,000

Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health and life insurance, Medicare, workers' compensation, and other benefits arising from the negotiated agreements.

The School District was allotted approximately \$914,000 in ESSER I monies of which \$19,000 was used to pay for summer school and food service employee benefits. The School District was allotted approximately \$3,465,000 in ESSER II monies of which \$347,000 are forecast to be used for a portion of fiscal year 2022 general fund employee benefits. The School District was allotted approximately \$7,787,000 in ARP monies of which \$366,000 are forecast to be used for fiscal year 2023 and \$366,000 for fiscal year 2024 to cover a portion of general fund employee benefits.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. For STRS, adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. For SERS, a refund or an additional payment is completed in the following fiscal year to correct differences between the estimated and actual salaries. The School District pays the employee retirement contributions for its superintendent, treasurer and other administrators.

Retirement costs are anticipated to decrease for fiscal year 2022 based on a decrease in the amount deducted from the foundation statements related to decreased salary estimates related to reduced staffing levels, as well as employee benefit costs being paid from ESSER monies. For fiscal years 2023 and 2024, retirement costs are anticipated to decrease due to additional employee benefit costs being paid out of ESSER funds as well as anticipated savings from retirements. For fiscal years 2025 and 2026, retirement costs are forecast to increase due to employee benefit costs that were paid out of ESSER monies reverting to the general fund going forward.

Health care rates were fixed by the Board of Education on a yearly basis, from May to April. During fiscal year 2019, the School District fixed rates from May to December and beginning January 2020, currently sets rates based on a calendar year, January to December. The monthly payments for health care benefits are as follows:

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For the Fiscal Years Ending June 30, 2022 through June 30, 2026**

	Medical	Dental	Vision	Total
Single Rates:				
May 1, 2017 to April 30, 2018	\$763.64	\$20.02	\$5.00	\$788.66
May 1, 2018 to April 30, 2019	837.06	20.44	5.02	862.52
May 1, 2019 to August 31, 2019	837.06	20.44	5.02	862.52
Low Deductible Plan				
September 1, 2019 to December 31, 2019	726.97	20.12	7.89	754.98
January 1, 2020 to December 31, 2020	726.97	20.12	7.89	754.98
January 1, 2021 to December 31, 2021	779.84	20.12	7.89	807.85
January 1, 2022 to December 31, 2022	810.06	20.12	7.89	838.07
High Deductible Plan				
May 1, 2019 to December 31, 2019	671.99	20.12	7.89	700.00
January 1, 2020 to December 31, 2020	671.99	20.12	7.89	700.00
January 1, 2021 to December 31, 2021	720.99	20.12	7.89	749.00
January 1, 2022 to December 31, 2022	904.41	20.12	7.89	932.42
Employee Plus Spouse Rates:				
May 1, 2019 to August 31, 2019	1,765.23	40.24	14.37	1,819.84
Low Deductible Plan				
September 1, 2019 to December 31, 2019	1,710.63	40.24	14.37	1,765.24
January 1, 2020 to December 31, 2020	1,710.63	40.24	14.37	1,765.24
January 1, 2021 to December 31, 2021	1,833.94	40.24	14.37	1,888.55
January 1, 2022 to December 31, 2022	1,906.21	40.24	14.37	1,960.82
High Deductible Plan				
May 1, 2019 to December 31, 2019	1,572.03	40.24	14.37	1,626.64
January 1, 2020 to December 31, 2020	1,572.03	40.24	14.37	1,626.64
January 1, 2021 to December 31, 2021	1,685.89	40.24	14.37	1,740.50
January 1, 2022 to December 31, 2022	1,888.20	40.24	14.37	1,942.81
Employee Plus Children Rates:				
May 1, 2019 to August 31, 2019	1,477.03	57.56	14.78	1,549.37
Low Deductible Plan				
September 1, 2019 to December 31, 2019	1,404.70	57.56	14.78	1,477.04
January 1, 2020 to December 31, 2020	1,404.70	57.56	14.78	1,477.04
January 1, 2021 to December 31, 2021	1,508.05	57.56	14.78	1,580.39
January 1, 2022 to December 31, 2022	1,565.14	57.56	14.78	1,637.48
High Deductible Plan				
May 1, 2019 to December 31, 2019	1,294.28	57.56	14.78	1,366.62
January 1, 2020 to December 31, 2020	1,294.28	57.56	14.78	1,366.62
January 1, 2021 to December 31, 2021	1,389.94	57.56	14.78	1,462.28
January 1, 2022 to December 31, 2022	1,556.73	57.56	14.78	1,629.07

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	Medical	Dental	Vision	Total
Family Rates:				
May 1, 2017 to April 30, 2018	\$1,981.93	\$81.76	\$17.81	\$2,081.50
May 1, 2018 to April 30, 2019	2,208.10	83.84	17.98	2,309.92
May 1, 2019 to August 31, 2019	2,208.10	83.84	17.98	2,309.92
Low Deductible Plan				
September 1, 2019 to December 31, 2019	2,369.79	78.93	21.26	2,469.98
January 1, 2020 to December 31, 2020	2,369.79	78.93	21.26	2,469.98
January 1, 2021 to December 31, 2021	2,542.71	78.93	21.26	2,642.90
January 1, 2022 to December 31, 2022	2,640.60	78.93	21.26	2,740.79
High Deductible Plan				
May 1, 2019 to December 31, 2019	2,179.27	78.93	21.26	2,279.46
January 1, 2020 to December 31, 2020	2,179.27	78.93	21.26	2,279.46
January 1, 2021 to December 31, 2021	2,338.82	78.93	21.26	2,439.01
January 1, 2022 to December 31, 2022	2,619.48	78.93	21.26	2,719.67

Health care costs are based on the type of coverage (single, employee plus spouse, employee plus children or family) provided to each employee. The health care program includes medical, prescription drug, dental, and vision care. Health care rates are fixed for a twelve month period. The School District began offering both high and low deductible plans on September 1, 2019. Effective September 1, 2019 through December 31, 2020, if an employee chooses the low deductible plan they pay six percent of the premium. Beginning January 1, 2021 that percentage increased to seven percent and is forecast to increase to eight percent beginning January 1, 2022. An employee pays no portion of the premium if they choose the high deductible plan. The increase in health care costs to the School District is due to rates increasing twelve percent during the second half of fiscal year 2022 and each fiscal year of the forecast there after. This increase will be offset by the forecasted reduction in covered employees.

Medicare is based on a percentage wages and is estimated to decrease from fiscal years 2022 through 2024 based on salaries estimated during each fiscal year. Medicare for fiscal years 2025 and 2026 is based on estimated wages, which are forecast to increase due to employees benefit costs reverting back to the general fund.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. In previous years, premiums were paid in the following calendar year. Beginning in calendar year 2016, the Bureau of Workers' Compensation (BWC) began transitioning to prospective billing. The School District opted to make the policy period 2019 payments monthly. The School District paid a portion of its workers' compensation payments out of the workers' compensation fund during fiscal years 2018 through 2021. After examination of the balance in that fund for fiscal year 2022, the School District is forecasting paying the entire workers' compensation payment out of that fund as well. The School District is anticipating paying the workers' compensation payment for fiscal year 2023 out of ESSER monies. For fiscal years 2024 and 2025, the School District is forecasting paying the workers' compensation payment out of the workers' compensation fund and then beginning in fiscal year 2026, the payment will be made out of the general fund.

Unemployment expenses should see a decrease during fiscal year 2022 due to fewer people applying for unemployment due to the effects of the COVID-19 virus that was the case in fiscal year 2021. Unemployment is forecast to remain at fiscal year 2022 levels throughout the forecast period.

Tuition reimbursements are forecasted to remain consistent with fiscal year 2021. This is anticipated to remain consistent throughout the forecast period.

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Employees' retirement/insurance benefits for the forecast period consist of the following:

	Forecasted				
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Employer's Retirement	\$1,704,000	\$1,695,000	\$1,675,000	\$1,899,000	\$1,944,000
Health/Life Insurance	3,227,000	3,565,000	3,901,000	4,839,000	4,956,000
Medicare	156,000	154,000	152,000	173,000	175,000
Workers' Compensation	0	0	0	0	94,000
Unemployment	2,000	2,000	2,000	2,000	2,000
Tuition Reimbursement	20,000	20,000	20,000	20,000	20,000
Totals	\$5,109,000	\$5,436,000	\$5,750,000	\$6,933,000	\$7,191,000

Purchased Services

Professional and technical services are expected to increase during fiscal year 2022 due primarily to the School District digitizing their records and costs for virtual learning as well as increase legal fees due to contract negotiations. These costs are not forecasted to re-occur in fiscal years 2023 through 2025. Fiscal year 2026 is forecasted to include an increase in legal fees due to contract negotiations.

Property services are expected to decrease over the prior fiscal year primarily due to the School District using grant dollars for needed repairs. The School District is forecasting making needed repairs due to flooding. This is not expected to reoccur during the forecast period. Fiscal years 2023 through 2026 are forecasted to increase based on increased prices in services provided to the School District.

Travel and meeting expenses are anticipated to increase over the prior fiscal year as the School District's employees return to attending conferences after the pandemic. This is anticipated to remain the same for the rest of the forecast period.

Communication costs are expected to increase over fiscal year 2021 due to the increased costs for internet services and need of placing additional bid notices in the newspaper. This is anticipated to remain fairly consistent during the forecast period.

Trade services are forecasted to increase in fiscal year 2022 due to flood damage repairs. During fiscal year 2021, the School District did some minor renovations to the administration office. These costs are not forecasted to reoccur during fiscal years 2023 through 2026.

Utility services costs are expected to increase during fiscal year 2022 due to the students returning to the classrooms. These expenses are forecasted to increase during fiscal years 2023 through 2026 based on increased prices in services provided to the School District.

Tuition payments decreased due to the change in the State foundation funding formula. For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, open enrollment out costs, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$2,879,000 in revenue and expenditures/expense related to these programs. This decrease is offset slightly by an increase in the cost of services provided by the Trumbull County Educational Service

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Center (ESC). Tuition payments for special education services provided by the ESC are forecasted to increase slightly in fiscal years 2023 through 2026.

Pupil transportation payments are forecasted to increase in FY2022 as students have returned to the classrooms. These expenses are forecasted to increase during fiscal years 2023 through 2026 based on increased prices in services provided to the School District.

In fiscal year 2022, other purchased services are expected to decrease over the prior fiscal year due to the School District using ESSER grant dollars for the transfunder service which helps the School District track buses. During fiscal years 2025 and 2026, these costs are back in the general fund.

Purchased services for the forecast period consist of the following:

	Forecasted				
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Professional and Technical Services	\$374,000	\$286,000	\$286,000	\$286,000	\$313,000
Property Services	375,000	301,000	305,000	309,000	313,000
Travel and Meeting	21,000	21,000	21,000	21,000	21,000
Communication Costs	55,000	56,000	55,000	56,000	55,000
Utility Services	738,000	776,000	792,000	808,000	824,000
Trade Services	61,000	10,000	10,000	10,000	10,000
Tuition Payments	2,186,000	2,196,000	2,206,000	2,216,000	2,226,000
Pupil Transportation	365,000	369,000	373,000	377,000	381,000
Other Purchased Services	5,000	5,000	5,000	14,000	14,000
Totals	\$4,180,000	\$4,020,000	\$4,053,000	\$4,097,000	\$4,157,000

Supplies and Materials

General supplies are expected to increase in fiscal year 2022 due to additional expenses. This increase is offset by the School District paying for janitorial supplies in the correct object code. Starting in fiscal year 2022, this expected to decrease to an amount more similar to fiscal year 2020.

Textbooks and instructional materials are forecasted to increase due to additional textbooks anticipated to be purchased during fiscal year 2022. For fiscal years 2022 through 2026, the amount spent is forecasted to increase and then remain the same going forward in order to maintain updating textbooks as needed.

Maintenance supplies are expected to increase in fiscal year 2022 due to the Treasurer ensuring the correct coding of janitorial purchases. Fiscal years 2023 through 2026 are forecasted to remain consistent with fiscal year 2022.

For fiscal years 2022 through 2026, the School District forecasts \$42,000 for motor vehicle repairs.

Fuel expenditures are expected to decrease in fiscal years 2022 and 2023 as the School District is utilizing ESSER grant dollars. Starting in fiscal year 2024, the fuel costs will revert to the general fund.

Other supplies and materials are anticipated to remain consistent throughout the forecast period.

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Supplies and materials for the forecast period consist of the following:

	Forecasted				
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
General Supplies	\$159,000	\$132,000	\$132,000	\$159,000	\$159,000
Textbooks	91,000	118,000	118,000	91,000	91,000
Maintenance Supplies	47,000	47,000	47,000	47,000	47,000
Motor Vehicle Repairs	42,000	42,000	42,000	42,000	42,000
Fuel	2,000	2,000	50,000	50,000	50,000
Other Supplies and Materials	6,000	6,000	6,000	6,000	6,000
Totals	\$347,000	\$347,000	\$395,000	\$395,000	\$395,000

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In prior fiscal years, the School District paid the annual lease payment on computer hardware and software. The School District is using ESSER grant dollars for the remaining lease payments through fiscal year 2023. During fiscal years 2022 and 2023, the School District received a grant to partially cover the purchase of a bus. In fiscal years 2022 and 2023, the School District is forecasting \$58,000 and \$51,000, respectively for general capital outlay needs which includes the School District's portion of the cost of a new bus not covered by the grant. Fiscal years 2024 through 2026 are expected to return to pre-pandemic levels.

Debt Service

During fiscal year 2005, the School District issued \$1,980,000 in a House Bill 264 energy conservation loan with an interest rate of 4.35 percent. The School District made principal payments on this loan of \$132,000 in fiscal 2020, which retired the loan.

During fiscal year 2015, the School District entered into a \$163,000 lease purchase for school buses. The School District made principal payments on this loan of \$33,000 in fiscal 2019, which retired the lease.

The School District is not forecasting additional general fund debt to be issued during the forecast period.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted to increase in fiscal year 2022 due to an increase in liability insurance costs as well as an increase in the cost of the ESC fees. The School District is using additional services provided by the ESC starting in fiscal year 2022. Other object expenditures are expected to increase slightly in fiscal years 2023 through 2026 due to increased liability insurance and auditor and treasurer fees. The increase in fiscal year 2024 is due to election expenditures as the School District will be on the ballot for the renewal of the expiring emergency levy. The increase in fiscal year 2026 is due to an increase in auditor and treasurer fees based upon an overall increase in property tax collections due to the County

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Other Financing Uses

The School District is forecasting transfers to the student activities fund to move balances from one cost center to another. The School District is forecasting a transfer to the food service fund in fiscal years 2025 and 2026 to cover an estimated deficit at fiscal year-end. During fiscal year 2021 the School District transferred \$800,000 to the self-insurance internal service fund to cover the increased costs of claims. The School District also transferred \$6,000 to various special revenue funds to correct prior year expenditures. This is not forecasted to reoccur during fiscal years 2022 through 2026.

Note 8 – Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances of \$50,000 are expected for purchased services, supplies and materials, capital outlay, and other objects are forecast for fiscal years 2022 through 2026.

Note 9 – Capital Acquisition and Improvements Set-Aside

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the acquisition and construction of capital improvements. Amounts not spent by year end 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 set aside amount required is approximately \$375,000 for fiscal year 2022 and is expected to remain fairly consistent in the remaining forecast years. The School District anticipates annual qualified expenditures and offsets to exceed the required set aside amount for all forecasted fiscal years; therefore, no reserve for capital acquisition and improvements is forecast.

Note 10 - Adjustments

During fiscal year 2020, the School District incorrectly posted all the property tax allocation to the general fund. The forecast reflects the \$269,000 reduction in revenues that should have been posted to other funds.

Note 11 – Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 – Niles Benefits Self-Insurance Fund

The School District provides medical/surgical, prescription drug, vision and dental benefits through a self-insured program. Zaluski Insurance, a third party administrator, processes the claims. All funds make monthly payments to the self-insurance fund based on the number of employees and the type of coverage provided to each employee. Monthly charges per person for single and family participation in the program

**Niles City School District
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**Summary of Significant Assumptions and Accounting Policies
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are recommended by the third party administrator and approved by the Board of Education. The fund purchases annual stop loss coverage is for claims in excess of \$100,000 per person. The School District anticipates the monthly charges to the various funds will cover the cost of claims and administrative charges and maintain a positive cash fund balance.

Note 13 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. All other funds of the School District are anticipated to have sufficient resources to meet their obligations during fiscal years 2022 through 2024. The general fund is forecasted to make a transfer to the food service fund to alleviate the operating deficit in fiscal years 2025 and 2026.

Note 14 – Levies

The School District has placed several levies on the ballot in the last 10 years. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Mills</u>	<u>Term</u>	<u>Election Result</u>
March 2012	Emergency (Renewal)	4.65	10 Years	Passed
May 2013	Emergency (New)	4.65	10 Years	Failed
May 2013	Permanent Improvement	1.00	10 Years	Failed
November 2017	Emergency (New)	9.25	10 Years	Failed
May 2018	Emergency (New)	5.85	10 Years	Failed
November 2018	Substitute (New)	11.70	10 Years	Failed
November 2019	Emergency (Renewal)	5.70	10 Years	Passed

Note 15 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

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OHIO AUDITOR OF STATE KEITH FABER



NILES CITY SCHOOL DISTRICT FISCAL EMERGENCY ANALYSIS TERMINATION

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 1/27/2022

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

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