

OHIO AUDITOR OF STATE
KEITH FABER



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

**Financial Forecast
For the Fiscal Year Ending June 30, 2020**

Local Government Services Section

Niles City School District
Trumbull County

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OHIO AUDITOR OF STATE KEITH FABER



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Financial Planning and Supervision Commission
Niles City School District
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Niles City School District, Trumbull County, Ohio, and issued a report dated November 25, 2019. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating surplus for the fiscal year ending June 30, 2020, of \$1,727,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2020 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 year 2020.

KEITH FABER
Auditor of State

A handwritten signature in blue ink that reads "David B. Thompson".

David B. Thompson
Chief of Local Government Services

February 11, 2020

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OHIO AUDITOR OF STATE KEITH FABER



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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 year ending June 30, 2020, 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.

Board of Education
Niles City School District
November 25, 2019
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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, 2017, 2018, and 2019 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 25, 2019

Niles City School District
Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2017 Through 2019 Actual;
For the Fiscal Year Ending June 30, 2020
General Fund

	Fiscal Year 2017 Actual	Fiscal Year 2018 Actual	Fiscal Year 2019 Actual	Fiscal Year 2020 Forecasted
Revenues				
General Property Tax	\$6,433,000	\$6,214,000	\$6,716,000	\$6,561,000
Unrestricted Grants-in-Aid	16,099,000	16,042,000	16,364,000	16,374,000
Restricted Grants-in-Aid	914,000	1,388,000	1,387,000	1,354,000
Property Tax Allocation	1,330,000	1,326,000	1,292,000	1,250,000
All Other Revenues	1,160,000	1,626,000	1,445,000	1,578,000
<i>Total Revenues</i>	<u>25,936,000</u>	<u>26,596,000</u>	<u>27,204,000</u>	<u>27,117,000</u>
Other Financing Sources				
Transfers In	0	0	0	347,000
<i>Total Revenues and Other Financing Sources</i>	<u>25,936,000</u>	<u>26,596,000</u>	<u>27,204,000</u>	<u>27,464,000</u>
Expenditures				
Personal Services	12,451,000	12,736,000	12,955,000	12,470,000
Employees' Retirement/Insurance Benefits	6,568,000	6,673,000	6,097,000	5,942,000
Purchased Services	6,029,000	6,128,000	6,193,000	6,214,000
Supplies and Materials	523,000	551,000	547,000	405,000
Capital Outlay	202,000	118,000	88,000	126,000
Debt Service:				
Principal-Energy Conservation Notes	132,000	132,000	132,000	132,000
Principal-Notes	110,000	110,000	0	0
Principal-School Bus Lease	32,000	33,000	33,000	0
Interest	29,000	19,000	12,000	5,000
Other Objects	215,000	188,000	211,000	256,000
<i>Total Expenditures</i>	<u>26,291,000</u>	<u>26,688,000</u>	<u>26,268,000</u>	<u>25,550,000</u>
Other Financing Uses				
Transfers Out	4,000	240,000	302,000	502,000
<i>Total Expenditures and Other Financing Uses</i>	<u>26,295,000</u>	<u>26,928,000</u>	<u>26,570,000</u>	<u>26,052,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(359,000)	(332,000)	634,000	1,412,000
Cash Balance July 1	518,000	159,000	(269,000)	365,000
Adjustment	0	104,000	0	0
Reclassification Adjustment	0	(200,000)	0	0
Cash Balance (Deficit) June 30	159,000	(269,000)	365,000	1,777,000
Encumbrances				
Actual/Estimated Encumbrances June 30	0	57,000	0	50,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$159,000</u>	<u>(\$326,000)</u>	<u>\$365,000</u>	<u>\$1,727,000</u>

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

Niles City School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2020

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 86 classified and 174 certificated personnel to provide services to approximately 2,182 students and other community members.

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 25, 2019, 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 are 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 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.

Niles City School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2020

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 organizations.

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.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds.

Niles City School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2020

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.

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.

Niles City School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2020

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 2020 (the collection year) for real and public utility property taxes represents collections of 2019 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 rollbacks and homestead exemptions 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 2021 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 year 2020.

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:

Tax Levies	Year Approved	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
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)	2009	2011	2020	5.80
Emergency (\$1,300,000)	2012	2014	2023	5.80
Total Tax Rate				\$48.35

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 \$7.35 per \$1,000 of assessed valuation. The School District’s total tax rate is \$56.70 per \$1,000 of assessed valuation.

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 \$34.31 per \$1,000 of

Niles City School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2020

assessed valuation for collection year 2020, and the effective commercial and industrial real property tax rate is \$38.32 per \$1,000 of assessed valuation for collection year 2020.

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 a decrease of \$155,000 from the prior fiscal year based upon information provided by the Trumbull County Auditor and a review of historical and current fiscal year tax settlements at the School District. The decrease is due to a decrease in assessed valuations as well as less delinquent tax collections.

Unrestricted Grants-in-Aid

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. 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. (FY 14 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 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. Based on the most current foundation settlement, the School District estimates \$16,251,000 in foundation funding for fiscal year 2020.

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 2020, the School District anticipates casino revenue of \$123,000, for a total unrestricted grants-in-aid amount of \$16,374,000.

Niles City School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2020

Restricted Grants-in-Aid

Restricted grants-in-aid consist of revenue to aid career technologies programs and State poverty based assistance programs. For fiscal year 2020, the School District anticipates receiving \$70,000 for career technologies and \$1,284,000 for State poverty based assistance monies for a total of \$1,354,000 in restricted grants-in-aid.

Property Tax Allocation

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the ten percent and the two and one-half percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 has adjusted the Homestead Exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed \$30,000. These changes reduce reimbursements from the State and increase real property tax revenue.

From 2005 to 2011, State law phased out taxes levied by school districts on business personal property. The State's original intent was to compensate school districts for resulting tax losses in full until fiscal year 2013, when payments themselves were to begin to be phased out. House Bill 153 signed in June 2011 accelerated the phase out during fiscal year 2012-2013 biennium and to pay reimbursements after the biennium at the reduced level paid at the end of fiscal year 2013. The new phase out is scaled according to a school districts reliance on those reimbursements as a percentage of the district's total budget. In 2012, House Bill 508 went into effect. It provides technical changes to the formula used to calculate fixed rate losses pertaining to business property tax expense levies.

The School District is anticipating the property tax allocation in fiscal year 2020 to decrease from the prior fiscal year due to the direct correlation that property tax allocation has with property taxes and due to the phase out of the tangible personal property loss reimbursement.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2017	Actual Fiscal Year 2018	Actual Fiscal Year 2019	Forecasted Fiscal Year 2020	Variance
Homestead and Rollback	\$1,131,000	\$1,133,000	\$1,121,000	\$1,119,000	(\$2,000)
Tangible Personal Property Loss Reimbursement	199,000	193,000	171,000	131,000	(40,000)
Totals	\$1,330,000	\$1,326,000	\$1,292,000	\$1,250,000	(\$42,000)

All Other Revenues

All other revenues include open enrollment, tuition, extracurricular fees, rentals, donations, interest income, commissions, transportation reimbursement, Medicaid School Program reimbursement, refund of prior year expenditures and other revenues.

The increase in open enrollment tuition and other tuition revenue is due to the increase in the number of students from other school districts attending the School District.

Niles City School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2020

During fiscal year 2019, the School District instituted an athletic/activity fee for students who choose to participate in athletics and some clubs. The decrease in fiscal year 2020 is due to fewer students paying due to the policy on fee limits.

The School District is anticipating rental revenue from outside parties using the School District's facilities in fiscal year 2020 to increase over the prior fiscal year. This is due to the Trumbull County ESC renting an additional room as well as an increase in the monthly rent for the Trumbull County Action Program.

During fiscal years 2017 through 2018, the School District received donations from the Niles City Schools Boosters for the Turf project. This is not forecasted to occur in fiscal year 2020.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund.

The School District receives commissions from Everflow Eastern and Bobcat Energy gas wells. During fiscal year 2019, the School District recorded refunds received due to overpayments. This is not forecasted to occur in fiscal year 2020.

Transportation reimbursement is forecasted to decrease due to a smaller reimbursement from Trumbull County Educational Service Center.

The Medicaid School Program (MSP) is a collaborative effort between the Ohio Department of Job and Family Services as the State Medicaid agency and the Ohio Department of Education as the agency responsible for assuring that the Individuals with Disabilities Education Act is delivering health related services to eligible special needs students. During fiscal year 2020, the School District started to record this program in the general fund.

Refund of prior year expenditures is expected to decrease for fiscal year 2020 due to a smaller rebate from the Ohio Bureau of Workers' Compensation.

All other revenues consist of the following:

	Actual Fiscal Year 2017	Actual Fiscal Year 2018	Actual Fiscal Year 2019	Forecasted Fiscal Year 2020	Variance Increase (Decrease)
Open Enrollment Tuition and Other Tuition	\$862,000	\$953,000	\$931,000	\$977,000	\$46,000
Pay to Participate	0	0	58,000	55,000	(3,000)
Rentals	89,000	90,000	109,000	149,000	40,000
Donations	25,000	25,000	0	0	0
Interest Income	21,000	38,000	40,000	74,000	34,000
Commissions	1,000	1,000	19,000	1,000	(18,000)
Transportation Reimbursement	81,000	0	57,000	56,000	(1,000)
Medicaid School Program	0	0	0	116,000	116,000
Refund of Prior Year Expenditures	58,000	507,000	189,000	137,000	(52,000)
Other	23,000	12,000	42,000	13,000	(29,000)
Totals	<u>\$1,160,000</u>	<u>\$1,626,000</u>	<u>\$1,445,000</u>	<u>\$1,578,000</u>	<u>\$133,000</u>

Niles City School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2020

Operating Transfers In

During fiscal year 2020, the School District is transferring monies between general fund cost centers in order to consolidate all general fund activity to one cost center.

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 2020 decreased from the prior fiscal year.

	2017	2018	2019	2020
General Fund:				
Certified	168	171	164	162
Classified	66	64	59	62
Total General Fund	234	235	223	224
Other Funds				
Certified	16	18	17	12
Classified	28	27	27	24
Total Other Funds	44	45	44	36
Totals	278	280	267	260

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 to August 31, 2022. Certified salaries are forecasted to decrease \$478,000 during fiscal year 2020. This decrease was due five certified employees leaving the School District and being replaced with employees with a lower salary. In addition, two fewer certified employees are paid out of the general fund. These decreases are offset by step increases averaging 1.3 to 6 percent per the above-mentioned contract.

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. Classified salaries are forecast to increase by \$39,000 in fiscal year 2020. This increase is a combination of step increases averaging 1.5 to 7 percent and an increase in the number of classified employees paid out of the general fund. These increases are offset by a decrease in salaries for bus drivers and educational assistants due to the new employee contract paying for fewer extended days.

In addition, the School District will be receiving Student Wellness monies from the State during fiscal years 2020 and 2021 and placing those monies into its own special revenue fund. As a result, the School District will be paying for some certified and classified employees out of this new fund. This will cause expenditures to decrease for both certified and classified employees during this fiscal year.

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Substitute salaries are forecasted to remain relatively consistent with the prior fiscal year.

Supplemental salaries are forecasted to decrease from the prior fiscal year due to fewer supplemental positions being filled than in fiscal year 2019.

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 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 are forecasted to decrease, as the School District expects fewer employees to retire during fiscal year 2020.

Overtime is anticipated to increase during fiscal year 2020 due to the trend of overtime thus far this fiscal year.

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 forecasted to remain consistent with fiscal year 2019.

Employees receive a stipend in lieu of taking the School District's hospitalization. This amount is anticipated to decrease due to more employees going on the School District's hospitalization program.

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.

With the consistent nature of Board of Education meetings, Board salaries are forecasted to remain consistent with the prior three fiscal years. The School District has five board members and each member receives \$125 per meeting.

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The following table is a comparison of salaries and wages for fiscal years 2017, 2018, and 2019 and the forecast period.

	Actual Fiscal Year 2017	Actual Fiscal Year 2018	Actual Fiscal Year 2019	Forecast Fiscal Year 2020	Variance Increase (Decrease)
Certified Salaries	\$9,420,000	\$9,729,000	\$9,933,000	\$9,455,000	(\$478,000)
Classified Salaries	1,993,000	2,030,000	2,032,000	2,071,000	39,000
Substitute Salaries	313,000	259,000	279,000	275,000	(4,000)
Supplemental Contracts	384,000	395,000	398,000	386,000	(12,000)
Severance	77,000	70,000	62,000	33,000	(29,000)
Overtime	80,000	64,000	75,000	79,000	4,000
Attendance Incentive	97,000	100,000	94,000	94,000	0
In Lieu of Hospitalization	75,000	76,000	69,000	64,000	(5,000)
Other	1,000	1,000	2,000	2,000	0
Board Salaries	11,000	12,000	11,000	11,000	0
Totals	<u>\$12,451,000</u>	<u>\$12,736,000</u>	<u>\$12,955,000</u>	<u>\$12,470,000</u>	<u>(\$485,000)</u>

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.

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. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for its superintendent, treasurer and other administrators. STRS and SERS are forecasted to decrease \$64,000 during fiscal year 2020 due to the School District paying for some employees retirement benefits from the new Student Wellness fund this fiscal year.

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 will be switching to January to December beginning on January 1, 2020. The monthly payments for health care benefits are as follows:

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	<u>Medical</u>	<u>Dental</u>	<u>Vision</u>	<u>Admin</u>	<u>Total</u>
Single Rates:					
Certified					
May 1, 2016 to April 30, 2017	\$732.96	\$20.02	\$5.00	\$257.19	\$1,015.17
Classified					
May 1, 2016 to April 30, 2017	778.78	20.02	5.00	257.19	1,060.99
May 1, 2017 to April 30, 2018	763.64	20.02	5.00	272.37	1,061.03
May 1, 2018 to May 1, 2019	837.06	20.44	5.02	305.91	1,168.43
May 1, 2019 to December 31, 2019	754.98	20.12	7.89	279.78	1,062.77
January 1, 2020 to December 31, 2020	754.98	20.12	7.89	279.78	1,062.77
Employee Plus Spouse Rates:					
Certified and Classified					
May 1, 2019 to December 31, 2019	1,765.23	40.24	14.37	279.78	2,099.62
January 1, 2020 to December 31, 2020	1,765.23	40.24	14.37	279.78	2,099.62
Employee Plus Children Rates:					
Certified and Classified					
May 1, 2019 to December 31, 2019	1,477.03	57.56	14.78	279.78	1,829.15
January 1, 2020 to December 31, 2020	1,477.03	57.56	14.78	279.78	1,829.15
Family Rates:					
Certified					
May 1, 2016 to April 30, 2017	1,895.44	81.76	17.81	257.19	2,252.20
Classified					
May 1, 2016 to April 30, 2017	2,019.16	81.76	17.81	257.19	2,375.92
May 1, 2017 to April 30, 2018	1,981.93	81.76	17.81	272.37	2,353.87
May 1, 2018 to May 1, 2019	2,208.10	83.84	17.98	305.91	2,615.83
May 1, 2019 to December 31, 2019	2,469.97	78.93	21.26	279.78	2,849.94
January 1, 2020 to December 31, 2020	2,469.97	78.93	21.26	279.78	2,849.94

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 decrease in health care costs to the School District is due to the School District switching to a new healthcare provider at the end of fiscal year 2019, beginning to realize savings during fiscal year 2020. In addition, a portion of employees' healthcare is forecast to be paid out of Student Wellness monies, an additional revenue source from the State for fiscal year 2020. These Student Wellness monies will be placed and paid for out of a separate fund

Medicare is based on 1.45 percent of new employee wages and is estimated to increase slightly in fiscal year 2020 based on salaries estimated during this fiscal year.

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 agency fund during both fiscal years 2018 and 2019. After examination of the balance in that fund for fiscal year 2020, the School District is forecasting paying the entire workers' compensation payment out of that fund as well.

Unemployment expenses should see a slight decrease from the prior fiscal year due to less substitutes applying for unemployment during the summer months.

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Tuition reimbursements are forecasted to decrease during fiscal year 2020 due to there being a reduced cap on the amount available for tuition reimbursements to employees in the certified contract.

Presented as follows is a comparison of fiscal years 2017, 2018, 2019 and the forecast period:

	Actual Fiscal Year 2017	Actual Fiscal Year 2018	Actual Fiscal Year 2019	Forecast Fiscal Year 2020	Variance Increase (Decrease)
Employer's Retirement	\$1,872,000	\$1,931,000	\$1,931,000	\$1,867,000	(\$64,000)
Health/Life Insurance	4,361,000	4,532,000	3,941,000	3,860,000	(81,000)
Medicare	174,000	177,000	179,000	196,000	17,000
Workers' Compensation	130,000	10,000	21,000	0	(21,000)
Unemployment	8,000	0	2,000	1,000	(1,000)
Tuition Reimbursement	23,000	23,000	23,000	18,000	(5,000)
Totals	\$6,568,000	\$6,673,000	\$6,097,000	\$5,942,000	(\$155,000)

Purchased Services

Presented as follows are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2017	Actual Fiscal Year 2018	Actual Fiscal Year 2019	Forecast Fiscal Year 2020	Variance Increase (Decrease)
Professional and Technical Services	\$249,000	\$375,000	\$357,000	\$217,000	(\$140,000)
Property Services	277,000	285,000	339,000	285,000	(54,000)
Travel and Meeting	17,000	11,000	11,000	11,000	0
Communication Costs	56,000	77,000	51,000	53,000	2,000
Utility Services	663,000	684,000	749,000	764,000	15,000
Trade Services	98,000	54,000	27,000	4,000	(23,000)
Tuition Payments	4,282,000	4,303,000	4,165,000	4,448,000	283,000
Pupil Transportation	365,000	304,000	341,000	325,000	(16,000)
Other Purchased Services	22,000	35,000	153,000	107,000	(46,000)
Totals	\$6,029,000	\$6,128,000	\$6,193,000	\$6,214,000	\$21,000

Professional and technical services are expected to decrease due to the payment of the Northeast Ohio Management Information Network contract being moved to other School District funds. This is offset by the cost of the shared services contract with Brookfield Local School District for treasurer services. During fiscal year 2019, the School District recorded the second half fiscal year 2018 payment and fiscal year 2019 payment to the Northeast Ohio Management Information Network. During fiscal year 2020, the School District is utilizing grant and voted tax levy revenue to make this payment. Property services are expected to decrease from the prior fiscal year due to the liability insurance being paid from other objects instead of property services like in the prior fiscal year. Utility services costs are expected to increase during fiscal year 2020 due to the City of Niles increasing the fixed costs on water and sewer. Trade services costs are expected to decrease from the prior fiscal year due to the School District receiving a grant for the School Resource Officer. Tuition payments are forecast to increase due to increased open enrollment, educational service center and special education tuition as well as due to additional services needed from the Trumbull County Education Service Center. This is due to more students open enrolling out of the School District than the prior fiscal year as well as the change in posting the college scholarship foundation deduction. Pupil transportation is expected to decrease due to the decrease of transportation related to the transportation

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of students outside of the School District. Starting in fiscal year 2020, the scholarship foundation deduction is being paid from tuition instead of other purchased services causing this line item to decrease.

Supplies and Materials

Presented as follows are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2017	Actual Fiscal Year 2018	Actual Fiscal Year 2019	Forecast Fiscal Year 2020	Variance Increase (Decrease)
General Supplies	\$104,000	\$82,000	\$82,000	\$98,000	\$16,000
Textbooks and Instructional Materials	237,000	309,000	330,000	164,000	(166,000)
Maintenance Supplies	80,000	59,000	42,000	49,000	7,000
Transportation Fuel and Supplies	100,000	98,000	93,000	94,000	1,000
Other Supplies and Materials	2,000	3,000	0	0	0
Totals	\$523,000	\$551,000	\$547,000	\$405,000	(\$142,000)

General supplies are anticipated to increase due to a general increase in the prices of supplies. Textbooks and instructional materials are forecast to decrease due to fewer textbooks anticipated to be purchased during fiscal year 2020. During fiscal year 2019, the School District recorded the second half fiscal year 2018 payment and fiscal year 2019 payment to the Northeast Ohio Management Information Network in this line item. During fiscal year 2020, the School District utilized grant and voted tax levy revenue to make this payment. In fiscal year 2019, the School District also purchased new servers as well as the installation and configuration of network equipment throughout the School District. This is not forecasted to occur in fiscal year 2020. Maintenance supplies are forecasted to increase due to additional repairs and vehicle supplies needed during this fiscal year.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2020, the School District is forecasting \$126,000 for general capital outlay for the annual lease payment on computer hardware and software as well as additional technology equipment.

Debt Service

Presented as follows are the debt service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2017		Actual Fiscal Year 2018		Actual Fiscal Year 2019		Forecast Fiscal Year 2020	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005 HB264 Loan (\$1,980,000)	\$132,000	\$21,000	\$132,000	\$16,000	\$132,000	\$11,000	\$132,000	\$5,000
2013 Lease Purchase (\$550,000)	110,000	6,000	110,000	2,000	0	0	0	0
2015 Capital Lease (\$163,000)	32,000	2,000	33,000	1,000	33,000	1,000	0	0
Totals	\$274,000	\$29,000	\$275,000	\$19,000	\$165,000	\$12,000	\$132,000	\$5,000

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. Total debt service required for this loan in fiscal year 2020 is \$132,000 in principal and \$5,000 in interest.

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During fiscal year 2013, the School District entered into a \$550,000 lease purchase for the installation of a synthetic turf football field at the Niles High School Bo Rein Stadium with an interest rate of 3.00 percent. The School District made principal payments on this loan of \$110,000 in fiscal 2018, which retired the lease.

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.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$256,000.

Operating Transfers Out

Presented as follows are the transfers from the general fund for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2017	Actual Fiscal Year 2018	Actual Fiscal Year 2019	Forecast Fiscal Year 2020	Variance Increase (Decrease)
General Fund	\$0	\$0	\$0	\$347,000	\$347,000
Food Service Fund	0	240,000	280,000	113,000	(167,000)
Uniform School Supplies Fund	0	0	1,000	0	(1,000)
Student Activities Fund	4,000	0	1,000	0	(1,000)
Athletics and Music Fund	0	0	20,000	36,000	16,000
Various Federal Grant Funds	0	0	0	6,000	6,000
Totals	\$4,000	\$240,000	\$302,000	\$502,000	\$200,000

During fiscal year 2020, the School District is transferring monies between general fund cost centers in order to consolidate all general fund activity to one cost center. The remaining transfers are forecasted to be made to ensure funds do not end the year with deficit fund balances. The decrease in transfers to the food service fund is due to overall cost cutting measures in this area as well as lower healthcare costs forecasted in fiscal year 2020.

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 for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended June 30, 2020, are estimated to be \$50,000.

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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 \$413,000 for fiscal year 2020. The School District anticipates \$288,000 in offsets during the current fiscal year due to the school facilities debt service payments and \$184,000 in qualifying expenditures. These amounts exceed the required set-aside amount in fiscal year 2020; therefore, no reserve amount is anticipated for the forecast period.

Note 10 – Adjustments

Adjustment – During fiscal year 2018 the School District incorrectly posted property tax advances to other funds as well as other minor posting errors. The forecast reflects the additional \$104,000 in revenues that should have been posted to the general fund.

Reclassification Adjustment – During fiscal year 2018, the School District incorrectly posted an adjustment increasing revenues in the general fund and decreasing revenues in the self-insurance internal service fund and the workers' compensation agency fund. The forecast reflects the reclassification of the \$200,000 adjustment out of the general fund.

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 are recommended by the third party administrator and approved by the Board of Education. The fund purchase 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.

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Note 13 – 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:

Date	Type	Mills	Term	Election Result
November 2008	Bond Retirement	4.30	28 Years	Passed
November 2008	Classroom Facilities	0.50	23 Years	Passed
November 2008	Bond Retirement	0.50	23 Years	Passed
November 2009	Emergency (Renewal)	4.60	10 Years	Passed
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 14 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. Any other funds of the School District that are not anticipated to have sufficient resources to meet their obligations during the forecasted period have been included in transfers out during fiscal year 2020.

Note 15 – Financial Planning and Supervision Commission

On February 26, 2019, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration 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 Niles City Mayor. 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 16 – Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in July 2019 covered fiscal years 2019 through 2023 and assumed the continued operation of the School District with revenues expected to remain dormant.

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Expenditures are anticipated to increase each fiscal year. At that time, the School District anticipated an operating surplus of \$454,000 for fiscal year 2019 and an accumulated operating surplus of \$1,482,000 by the end of fiscal year 2023. An updated five-year financial forecast is required to be filed with the Ohio Department of Education by the end of November 2019 and will cover fiscal years 2020 through 2024, reflecting any changes in assumptions.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.

OHIO AUDITOR OF STATE KEITH FABER



NILES CITY SCHOOL DISTRICT

TURMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY, 11 2020**