



Dave Yost • Auditor of State

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

Fiscal Watch Termination

Local Government Services Section

**Niles City School District
Trumbull County**

Fiscal Watch Termination

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Niles City School District Financial Forecast
For the Fiscal Years Ending June 30, 2016 through June 30, 2020

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Termination of Fiscal Watch

Pursuant to a request submitted to the Auditor of State by the Niles City School District Board of Education to remove the School District from Fiscal Watch, the Auditor of State has determined that Niles City School District has met the Guidelines for Release from Fiscal Watch as published by the Auditor of State and the Ohio Department of Education. Niles City School District's status of Fiscal Watch is hereby terminated as of June 29, 2016.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to Susan Giannetti Longacre, President of the Board of Education of the Niles City School District; Timothy Keen, Director of Budget and Management; Paolo DeMaria, State Superintendent of Public Instruction; and Thomas Scarnecchia, Mayor of the City of Niles.

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DAVE YOST
Auditor of State

June 29, 2016

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**Niles City School District
Trumbull County**

Analysis for Termination of Fiscal Watch

Declaration of Fiscal Watch

The Auditor of State, in accordance with Section 3316.03 of the Ohio Revised Code, is required to declare a school district to be in a state of fiscal watch if it is determined that the school district meets any one of the four conditions described in Section 3316.03(A) of the Ohio Revised Code. The conditions are:

1. The Auditor of State has certified a forecasted general fund operating deficit for the current fiscal year exceeding eight percent of the school district's general fund revenue for the preceding fiscal year, and the school district has not passed a tax levy to eliminate this condition in the succeeding fiscal year.
2. A school district has restructured its operating debt while in fiscal emergency, the fiscal emergency has been terminated and any portion of the restructured debt is still outstanding.
3. A school district was placed in fiscal caution due to budgetary conditions that could lead to a declaration of watch or emergency, the school district has not acted reasonably to correct the noted fiscal conditions, and the Ohio Department of Education has determined that a declaration of fiscal watch is necessary to prevent further fiscal decline.
4. The Auditor of State has certified a forecasted general fund operating deficit for the current fiscal year between 2 percent and 8 percent of the school district's general fund revenue for the preceding fiscal year, the school district has not passed a levy to eliminate the deficit in the succeeding fiscal year, and the Auditor of State determines there is no reasonable cause for the deficit or that declaring fiscal watch is necessary to prevent further fiscal decline.

According to the provisions of Section 3316.03(A)(1), the Auditor of State declared the Niles City School District in fiscal watch on March 10, 2003, based on the School District reporting an operating deficit of \$2,927,000 for fiscal year 2003 and the deficit exceeding eight percent of the School District's general fund revenue. Additionally, the School District had not passed a levy as of March 10, 2003 that would eliminate the deficit in fiscal year 2004.

Guidelines for Removal from Fiscal Watch

The procedures for removing a school district from fiscal watch are set forth in Guidelines for Release from Fiscal Watch developed by the Ohio Department of Education and the Auditor of State. These guidelines permit a school district to first submit a request for release from fiscal watch in the fiscal year following the fiscal year in which the Auditor of State declared the school district in fiscal watch. A school district may not request release from fiscal watch in the same fiscal year in which the Auditor of State made the declaration. Additionally, a school district may not request release from fiscal watch until the State Superintendent of Public Instruction has approved the financial recovery plan of the school district.

A school district seeking release from fiscal watch must request release by sending a letter and board resolution to the Auditor of State and the State Superintendent of Public Instruction.

The Department of Education will:

- Determine whether the school district has met the requirements of its financial recovery plan (including alleviating the conditions that lead to the declaration of fiscal watch and alleviating any conditions and discontinuing any practices identified by the Auditor of State that could lead to the declaration of fiscal caution) and provide the Auditor of State with a written summary of its findings; and,

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Analysis for Termination of Fiscal Watch

- Based on its review and analysis of the school district, notify the Auditor of State whether it supports the board of education's request for release.

The Auditor of State's Office will:

- Determine that the school district received an unqualified opinion on the most recent audit of its financial statements and that the statements were prepared in accordance with generally accepted accounting principles;
- Determine that the compliance and management letters issued as part of the most recent audit contain no material issues relating to accounting policies and procedures that could negatively impact the financial recovery or condition of the school district;
- Examine the school district's five-year forecast. To be eligible for release from fiscal watch, the forecast must be based on the board of education's most likely course of action, demonstrate that the school district will avoid all fiscal watch conditions for the current and ensuing fiscal year, and receive an unqualified opinion from the Auditor of State; and,
- Make a determination regarding release and notify the school district and the Department of Education.

Analysis of Compliance with the Guidelines for Termination of Fiscal Watch

The Auditor of State received a letter from the Ohio Department of Education which recommended that Niles City School District be released from fiscal watch on July 23, 2015. The Niles City School District Board of Education passed a resolution on July 16, 2015, requesting termination from fiscal watch.

The primary strategy of the recovery plan dated March 12, 2008, was to increase operating revenues, decrease operating expenditures, or a combination of the two. Proposals to achieve this strategy included the following:

- Reducing non-mandatory instructional programming and reducing/consolidating academic programming and reducing all-day kindergarten to minimum standards of half day.
- Reductions in fringe benefit costs.
- Passage of \$1.3 million emergency operating levy.

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

- The School District implemented a reduction in force of certified and classified employees.
- Reduced fringe benefits through retirements and staffing cuts and the negotiation of employees paying 10 percent of their healthcare.
- During fiscal year 2009, passed the renewal \$5.65 mill (\$1,300,000) emergency operating levy.
- During fiscal year 2012, passed the renewal \$5.65 mill (\$1,300,000) emergency operating levy.

The Ohio Department of Education (ODE) provided the Auditor of State with a letter, dated July 23, 2015, in which ODE stated "...the School District has achieved the objectives of the recovery plan. ODE recommends the Niles City School District be released from fiscal watch."

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Analysis for Termination of Fiscal Watch

The guidelines require the School District to receive an unqualified audit opinion on the audit of its financial statements prepared in accordance with generally accepted accounting principles. The School District's general purpose external financial statements for the fiscal year ended June 30, 2015, was released by the Auditor of State on April 5, 2016, and included an unqualified opinion.

As part of the analysis for termination of fiscal watch, the School District's compliance and management letters issued as part of the audit for fiscal year 2015, the most recent audit, were reviewed. The compliance and management letters disclosed the following:

- The School District did not have any citations in the report on compliance.
- The management letter that accompanied the 2015 audit included one immaterial noncompliance issue and two immaterial recommendations. Management has implemented changes as a result of the recommendations. While this change is in the interest of the School District, the audit for 2016 will determine the effectiveness of the change.

The Auditor of State has examined the School District's financial forecast for the fiscal years ending June 30, 2016 through 2020, to determine if the School District will avoid fiscal watch conditions for the current and ensuing fiscal year. The financial forecast and our report thereon are included in Appendix A. The financial forecast reflects a positive unencumbered/unreserved general fund balance through fiscal year 2020. Our report on the financial forecast includes an unqualified opinion.

Conclusion

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

- 1) The School District has received an unqualified opinion on financial statements prepared in accordance with generally accepted accounting principles for the fiscal year ended June 30, 2015;
- 2) The compliance letter issued as part of the 2015 audit contained no material noncompliance issues;
- 3) The management letter issued at the completion of the 2015 audit included one immaterial noncompliance issue and two immaterial recommendations. The comments in the management letter are not material instances of noncompliance or reportable internal control conditions; however, the comments do represent areas in which improvement is needed. Management is taking corrective action and we do not believe these issues would negatively impact the financial recovery or condition of the School District;
- 4) The Ohio Department of Education has provided a letter dated July 23, 2015, which indicates the School District has achieved the objectives of the recovery plan and should be released from fiscal watch; and,
- 5) The Auditor of State has examined the School District's financial forecast. The forecast demonstrates that the School District will avoid a fiscal watch condition based on the general fund balances for fiscal years 2016 through 2020.

The Niles City School District has met the guidelines for termination of fiscal watch; therefore, the fiscal watch status is hereby cancelled as of June 29, 2016.

It is understood that this report's determination is for the use of the School District's Board of Education, the Superintendent of Niles City School District, the Director of Budget and Management, the State Superintendent of Public Instruction, the Mayor of the City of Niles, and the Auditor of the State of Ohio, and others as designated by the Auditor of State, and is not to be used for any other purpose.

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Trumbull County**

Analysis for Termination of Fiscal Watch

Disclaimer

Because the preceding procedures were not sufficient to constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any specific accounts or fund balances identified 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, 2016 through June 30, 2020

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Dave Yost • Auditor of State

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, 2016 through June 30, 2020. The Niles City School District's management is responsible for the forecast. 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, and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants and the underlying assumptions provide a reasonable basis for the Board's forecast. However, 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 accompanying statement of revenues, expenditures and changes in fund balance of the general fund of the Niles City School District for the fiscal years ended June 30, 2013, 2014 and 2015 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on it. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

April 6, 2016

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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, 2013 Through 2015 Actual;
For the Fiscal Years Ending June 30, 2016 Through 2020 Forecasted
General Fund

	Fiscal Year 2013 Actual	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Forecasted
Revenues				
General Property Tax	\$6,786,000	\$6,786,000	\$6,472,000	\$6,431,000
Tangible Personal Property Tax	17,000	0	0	0
Unrestricted Grants-in-Aid	13,020,000	13,216,000	14,733,000	15,920,000
Restricted Grants-in-Aid	78,000	850,000	818,000	819,000
Restricted Federal Grants-in-Aid-SFSF	159,000	0	0	0
Property Tax Allocation	1,368,000	1,338,000	1,337,000	1,345,000
All Other Revenues	1,103,000	1,267,000	1,429,000	1,299,000
<i>Total Revenues</i>	<u>22,531,000</u>	<u>23,457,000</u>	<u>24,789,000</u>	<u>25,814,000</u>
Expenditures				
Personal Services	11,978,000	11,733,000	11,811,000	12,236,000
Employees' Retirement/Insurance Benefits	4,370,000	4,379,000	5,296,000	5,565,000
Purchased Services	5,128,000	5,842,000	5,777,000	5,896,000
Supplies and Materials	332,000	444,000	498,000	557,000
Capital Outlay	287,000	449,000	293,000	265,000
Debt Service:				
Principal-Energy Conservation Notes	132,000	132,000	132,000	132,000
Principal-Notes	0	110,000	110,000	110,000
Principal-School Bus Lease	0	0	34,000	31,000
Interest	45,000	51,000	46,000	40,000
Other Objects	208,000	230,000	208,000	206,000
<i>Total Expenditures</i>	<u>22,480,000</u>	<u>23,370,000</u>	<u>24,205,000</u>	<u>25,038,000</u>
Other Financing Uses				
Transfers Out	0	0	135,000	36,000
<i>Total Expenditures and Other Financing Uses</i>	<u>22,480,000</u>	<u>23,370,000</u>	<u>24,340,000</u>	<u>25,074,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	51,000	87,000	449,000	740,000
Cash Balance July 1	32,000	83,000	170,000	619,000
Cash Balance June 30	83,000	170,000	619,000	1,359,000
Encumbrances and Reserves of Fund Balance				
Actual/Estimated Encumbrances June 30	0	0	98,000	75,000
Unencumbered/Unreserved Fund Balance June 30	83,000	170,000	521,000	1,284,000
Revenue from Renewal Levies				
Property Tax - Renewal	0	0	0	0
Property Tax Allocation - Renewal	0	0	0	0
Cumulative Balance of Renewal Levies	0	0	0	0
Unencumbered/Unreserved Fund Balance June 30 with Renewal Levies	<u>\$83,000</u>	<u>\$170,000</u>	<u>\$521,000</u>	<u>\$1,284,000</u>

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

<u>Fiscal Year</u> <u>2017 Forecasted</u>	<u>Fiscal Year</u> <u>2018 Forecasted</u>	<u>Fiscal Year</u> <u>2019 Forecasted</u>	<u>Fiscal Year</u> <u>2020 Forecasted</u>
\$6,460,000	\$6,470,000	\$6,479,000	\$5,927,000
0	0	0	0
17,168,000	17,168,000	17,168,000	17,168,000
832,000	832,000	832,000	832,000
0	0	0	0
1,345,000	1,306,000	1,267,000	1,128,000
1,257,000	1,183,000	1,185,000	1,186,000
<u>27,062,000</u>	<u>26,959,000</u>	<u>26,931,000</u>	<u>26,241,000</u>
12,547,000	12,881,000	13,241,000	13,621,000
5,718,000	5,954,000	6,221,000	6,524,000
5,992,000	6,158,000	6,326,000	6,495,000
559,000	568,000	577,000	587,000
171,000	171,000	171,000	171,000
132,000	132,000	132,000	132,000
110,000	110,000	0	0
32,000	32,000	33,000	0
30,000	20,000	11,000	5,000
230,000	214,000	238,000	222,000
<u>25,521,000</u>	<u>26,240,000</u>	<u>26,950,000</u>	<u>27,757,000</u>
0	0	0	0
<u>25,521,000</u>	<u>26,240,000</u>	<u>26,950,000</u>	<u>27,757,000</u>
1,541,000	719,000	(19,000)	(1,516,000)
<u>1,359,000</u>	<u>2,900,000</u>	<u>3,619,000</u>	<u>3,600,000</u>
2,900,000	3,619,000	3,600,000	2,084,000
<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
<u>2,825,000</u>	<u>3,544,000</u>	<u>3,525,000</u>	<u>2,009,000</u>
0	0	0	560,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>101,000</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>661,000</u>
<u>\$2,825,000</u>	<u>\$3,544,000</u>	<u>\$3,525,000</u>	<u>\$2,670,000</u>

Niles City School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2016 through June 30, 2020

Note 1 – The School District

The Niles City School District (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 four instructional buildings and an administrative building. The School District is staffed by 93 non-certified and 182 certificated personnel who provide services to 2,668 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 April 6, 2016, 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 poverty based assistance and the school district fiscal stabilization funds and 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.

Niles City School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2016 through June 30, 2020

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 expenditure 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 and report any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds account for and report 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.

Niles City School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2016 through June 30, 2020

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 agency funds.

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 fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget – A budget of estimated cash receipts and disbursements is submitted to the Medina 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 fiscal 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 Local School District will continue to operate its instructional program in accordance with its adopted and anticipated school calendars 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.

Niles City School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2016 through June 30, 2020

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 Trumbull 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 2016 (the collection year) for real and public utility property taxes represents collections of 2015 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 the next fiscal year 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 2016 through 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 year of collection, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved/ Renewed</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	n/a	n/a	26.10
Continuing Operating	1996	n/a	n/a	4.95
Emergency (\$1,300,000)	2009	2010	2019	5.65
Emergency (\$1,300,000)	2012	2013	2022	5.65
Total Tax Rate				<u>\$48.05</u>

The School District also has levies for bonded debt and school facilities maintenance totaling \$8.75 per \$1,000 of assessed valuation. The School District’s total tax rate is \$56.80 per \$1,000 of assessed valuation.

Niles City School District

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Years Ending June 30, 2016 through June 30, 2020

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 \$34.43 per \$1,000 of assessed valuation for collection year 2016, and the effective commercial and industrial real property tax rate is \$36.24 per \$1,000 of assessed valuation for collection year 2016.

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 amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Trumbull County Auditor. The School District anticipates a decrease of \$41,000 in fiscal year 2016 due to only 46.6 percent of calendar year 2015 collections being received in September of 2015 compared to 47.2 percent of calendar year 2014 collections being received in September of 2014. For fiscal years 2017 through 2019, property taxes are expected to increase slightly each year as a result of estimated increases to assessed values. The School District has an emergency levy expiring in collection years 2019 and 2022. 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.

Unrestricted Grants-in-Aid

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for 2011, 21 mills for 2012 and 2013 and 20 mills for 2014 and thereafter.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism was not formulated at that time, the administration decided to fund school districts in fiscal years 2012

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and 2013 based on a transitional approach until a new formula is devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the district received at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding, as well as to provide financial incentives for high performing districts.

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. This amount 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. These calculations did not change in fiscal year 2015. In fiscal year 2016, the SFPR continues to be used and the calculation of foundation funding is similar to the prior fiscal year. Based on the most current foundation settlement, the School District estimates \$15,795,000 in foundation funding for fiscal year 2016.

Foundation funding forecasted for fiscal year 2017 is based on the most current estimate calculated by the Ohio Department of Education. The fiscal year 2017 amount is expected to increase \$17,043,000 as a result of an increase in the State General Revenue Fund budget and other various factors taken into account by the Ohio Department of Education. For fiscal years 2018 through 2020, the School District assumes the General Assembly will approve funding levels comparable to the 2017 amounts.

Beginning in fiscal year 2013, the School District started receiving additional unrestricted grants-in-aid revenue due to casino revenue. Of the casino revenue collected by the State, 34 percent is distributed to school districts, based on student population. For fiscal year 2016, the School District anticipates casino revenue of \$125,000, for a total unrestricted grants-in-aid amount of \$15,920,000. Casino revenue is expected to remain consistent throughout the remainder of the forecast period, for a total unrestricted grants-in-aid amount of \$17,168,000.

Restricted Grants-in-Aid

Restricted grants-in-aid consists of career technologies programs, catastrophic aid reimbursement and economic disadvantaged funding assistance programs. For fiscal year 2016, the School District anticipates \$13,000 in career technologies monies, \$25,000 in catastrophic aid reimbursement and \$781,000 in economic disadvantaged funding assistance monies for a total restricted grants-in-aid amount of \$819,000. For fiscal years 2017 through 2020, restricted grants-in-aid are expected to slightly increase based on the most current estimate calculated by the Ohio Department of Education as a result of an increase in the State General Revenue Fund budget and other various factors taken into account by the Ohio Department of Education.

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Restricted Federal Grants-in-Aid

In 2010, Congress passed, and the President signed, legislation that provided \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant was used only for compensation and benefits and other expenditures, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use. The School District received \$158,521 in fiscal year 2013. The School District chose to use these funds for salaries and benefits for teachers. The Education Jobs grant has not been reauthorized by the Federal government.

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.

Homestead and rollback revenue is forecasted to increase slightly throughout fiscal years 2016 to 2019 due to small estimated increases to residential and agriculture assessed values. In fiscal year 2020, homestead and rollback is estimated to drop due to the loss of homestead and rollback collections on the 2009 emergency levy which is expiring at the end of December 2019. The School District will need to renew the emergency levy during 2019 in order to continue collecting homestead and rollback on it.

Under the provisions of ORC Section 5709.92(D)(1), in fiscal year 2016 and the ensuing fiscal years, reimbursement for fixed sum operating levies which amount to all emergency and substitute levies will be calculated separately from bond and facilities levy loss reimbursements. Under this section of the law, the district will receive 100 percent of the combined fiscal year 2015 public utility deregulation and tangible personal property reimbursements in fiscal year 2016. After fiscal year 2016 however, reimbursement for these levy losses will be phased out through fiscal year 2021.

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 2013-2013 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. Beginning in fiscal year 2017, utility deregulation is forecasted to decrease as a result of the phase-out. Beginning in fiscal year 2018, the tangible personal property loss reimbursement is forecasted to decrease due to the phase-out.

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Property tax allocation revenues consist of the following:

Revenue Source	Forecasted				
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Homestead and Rollback	\$1,146,000	\$1,148,000	\$1,149,000	\$1,150,000	\$1,051,000
Utility Deregulation	11,000	9,000	7,000	5,000	2,000
Tangible Personal Property Loss Reimbursement	188,000	188,000	150,000	112,000	75,000
Totals	\$1,345,000	\$1,345,000	\$1,306,000	\$1,267,000	\$1,128,000

All Other Revenues

All other revenues consist of the following:

	Forecasted				
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Open Enrollment	\$761,000	\$774,000	\$774,000	\$774,000	\$774,000
Tuition	157,000	159,000	160,000	162,000	163,000
Transportation Reimbursement	84,000	84,000	84,000	84,000	84,000
Interest	5,000	5,000	5,000	5,000	5,000
Rentals	87,000	77,000	77,000	77,000	77,000
Donations	50,000	50,000	0	0	0
Other	67,000	67,000	67,000	67,000	67,000
Refund of Prior Year Expenditures	88,000	41,000	16,000	16,000	16,000
Totals	\$1,299,000	\$1,257,000	\$1,183,000	\$1,185,000	\$1,186,000

Open enrollment tuition revenue increased in fiscal year 2016 due to the per pupil formula amount increasing from \$5,800 in fiscal year 2015 to \$5,900 in fiscal year 2016. Fiscal year 2017 is expected to increase by 1.7 percent as a result of the per pupil formula amount increasing to \$6,000 in fiscal year 2017. All subsequent forecasted fiscal years are anticipated to remain consistent with fiscal year 2017 levels.

Tuition revenue is expected to increase slightly throughout the forecast period due to an increase in the per student cost being charged to other districts.

Transportation reimbursement, based on a three year average of fiscal years 2013, 2014 and 2015, is expected to increase slightly in fiscal year 2016. All subsequent forecasted fiscal years are anticipated to remain consistent with fiscal year 2016 levels.

Investment income represents interest received on the investments of the School District. 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 forecasted amount for fiscal year 2016 for investment income is based on the amount received to date plus the average monthly amount collected times the remaining months. All subsequent forecasted fiscal years are anticipated to remain consistent with fiscal year 2016 levels.

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Rental income is expected to increase in fiscal year 2016 due to additional annual rental income being collected from the Trumbull County Educational Service Center. All subsequent forecasted fiscal years are anticipated to be \$10,000 lower than the fiscal year 2016 forecasted amount. This is due to rental receipts of \$10,000 relating to fiscal year 2015 not being billed or received until fiscal year 2016.

The School District has secured \$270,000 in private donations to offset the cost of replacing the turf field in the football stadium. As of June 30, 2015, the School District had received \$170,000 in turf field donations, leaving a remaining balance of \$100,000. The School District is expected to receive \$50,000 in fiscal year 2016 and \$50,000 in fiscal year 2017.

Other revenues consist mainly of e-rate reimbursements and miscellaneous fines and fees. The forecasted amount for other revenue was based on an average of the last two fiscal years and is expected to remain consistent throughout the forecast period.

Refund of prior year expenditures is expected to decrease significantly in fiscal year 2016 due the School District not expecting to receive an educational service center reimbursement or a workers' compensation rebate. The amount forecasted for fiscal year 2017 is expected to be lower than the fiscal year 2016 amount mainly due to the School District anticipating a reimbursement from SERS of only \$25,000 versus a \$68,000 reimbursement from SERS in fiscal year 2016. The amounts forecasted for fiscal years 2018 through 2020 drop again from the fiscal year 2017 level due to no amount being estimated for reimbursement from SERS.

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. In addition to regular salaries, it includes payment for substitutes, supplemental contracts, severance pay, leave incentives, board salaries, tutors and a school physician. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education.

Staffing levels for the last three fiscal years and the current fiscal year are displayed in the following chart. The amounts represent full time equivalents. Staffing levels are anticipated to increase due to restoring bussing and more teachers being paid out of grant funds.

	2013	2014	2015	2016
<i>General Fund:</i>				
Certified	170	168	171	166
Classified	64	64	67	63
Total General Fund:	234	232	238	229
<i>Other Funds:</i>				
Certified	16	16	16	16
Classified	31	31	29	30
Total Other Funds:	47	47	45	46
Totals	281	279	283	275

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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 currently being followed covers the period from January 1, 2014 to August 31, 2016. Negotiations for a new contract will begin in early calendar year 2016. Each 1 percent increase to certified salaries would cost the School District approximately \$92,000. The School District is forecasting a 3 percent base increase in certified salaries which includes a 1.5 percent annual step increase that they currently receive. In fiscal year 2017, it is anticipated that two new teachers will be hired in order to fulfill new educational programs. Due to these anticipated increases and new hires, it is anticipated that certified salaries will increase each fiscal year of the forecast.

Classified salaries are based on a negotiated contract which includes step increases. Like the certified employee contract, the classified contract covers the period of January 1, 2014 to August 31, 2016. Classified employees are expected to see similar base and step increases as classified employees and trend the same way for the forecast period with each 1 percent increase in classified salaries costing the School District \$20,000; however, no new positions have been forecasted for classified staff.

Substitute salaries are forecasted to fall in line with their historical average and remain flat over the forecast period while supplemental contracts are anticipated to increase in line with certified salaries.

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 thirty-five percent of their unused sick leave, but not to exceed 70 days in addition to \$50 for each unused sick leave day in excess of 200 days but not to exceed 70 days. This payment is made in the first payroll in January in the calendar year following retirement. Severance pay to classified employees is equal to thirty-five percent of their unused sick leave, but not to exceed 70 days in addition to \$40 for each unused sick leave day in excess of 200 days but not to exceed 70 days. This is payable within 30 days from the time when the Board receives notice of retirement. Severance costs are the actual payments made for fiscal year 2016. The costs are anticipated to increase in fiscal year 2017 due to more employees eligible to retire in fiscal year 2017. Fiscal year 2018 is expected to decrease and remain flat for the remaining forecast period.

The School District offers a \$200 stipend at the end of each semester for certified employees who have used one sick day or less during the semester. Certified employees also receive four personal days per year. Any unused personal days will be reimbursed by June 30 of each school year at \$85 per day. Classified employees who have used one sick day or less during a semester will receive a stipend equal to their daily rate of pay at the end of each semester. Leave incentives are forecasted to remain consistent with the prior fiscal year throughout the forecasted period.

Other salaries, which consist of reading intervention tutors, board salaries and school physician wages, are forecasted to remain consistent with the prior fiscal year throughout the forecast period.

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The following table presents a comparison of salaries and wages for fiscal years 2016 through 2020:

	Forecasted				
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Certified Salaries	\$9,231,000	\$9,442,000	\$9,726,000	\$10,015,000	\$10,317,000
Classified Salaries	2,032,000	2,070,000	2,139,000	2,205,000	2,272,000
Substitute Salaries	353,000	353,000	353,000	353,000	353,000
Supplemental Contracts	361,000	366,000	372,000	377,000	388,000
Severance	93,000	150,000	125,000	125,000	125,000
Leave Incentives	71,000	71,000	71,000	71,000	71,000
Other Salaries and Wages	95,000	95,000	95,000	95,000	95,000
Totals	<u>\$12,236,000</u>	<u>\$12,547,000</u>	<u>\$12,881,000</u>	<u>\$13,241,000</u>	<u>\$13,621,000</u>

Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, 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. With each 1 percent increase in salaries earned, it is estimated to cost the School District an additional \$38,000 in STRS and SERS contributions. The increase in retirement throughout the forecast period correlates with the increase in forecasted wages.

In years past, SERS has been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one was for the school districts to pay the six month arrearage by June 30, 2010, to become current. Option two was for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Niles City School District chose option two and had a total arrearage liability of \$228,000, with annual payments of \$38,000, at that time. The District has one payment left to be made in fiscal year 2016.

Health care, dental and vision insurance rates are fixed by the Board of Education on a yearly basis, from May to April. The monthly payments for health care benefits are as follows:

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Coverage	Effective May 1, 2014	Effective May 1, 2015
Health:		
Single	\$491.76	\$539.11
Family	1,327.75	1,455.58
Dental:		
Single	13.96	14.56
Family	69.51	72.50
Vision:		
Single	3.68	3.45
Family	18.42	17.26

The School District utilizes a self-insurance fund to cover the costs of employee benefits. The health care benefits include medical, prescription drug, dental and vision care through Anthem insurance. Insurance benefits are expected to increase 4 percent in fiscal year 2017, 5 percent in fiscal year 2018, 5.5 percent in fiscal year 2019 and 6 percent in fiscal year 2020.

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 Worker's Compensation (BWC) is transitioning to prospective billing. The policy year 2016 bill will include payment on calendar year 2015 wages and on calendar year 2016 estimated wages. For this transition policy year, the BWC is giving a 50 percent credit on the retrospective bill on 2015 wages and a 50 percent credit on the prospective bill on 2016 wages. The School District paid the entire premium for calendar year 2015 in February of 2016. The School District intends to pay the entire premium for calendar year 2016 in May of 2016. The workers' compensation amount for fiscal year 2016 is forecasted to increase from the prior fiscal year due to a higher rate than the prior calendar year covered. Subsequent forecasted fiscal years are forecasted to increase with the increase in the wages forecasted.

Medicare is based on a percentage of wages and is estimated to increase slightly in fiscal year 2016 due to the increase in wages.

Other benefits which includes tuition reimbursement are forecasted to stay in line with the prior fiscal year throughout the forecast period.

The following table presents a comparison of employee's retirement/insurance benefits for fiscal years 2016 through 2020:

	Forecasted				
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Employer's Retirement	\$1,788,000	\$1,796,000	\$1,844,000	\$1,895,000	\$1,949,000
Health Care/Life Insurance	3,456,000	3,594,000	3,774,000	3,981,000	4,220,000
Workers' Compensation	124,000	127,000	130,000	134,000	138,000
Medicare	176,000	180,000	185,000	190,000	196,000
Other Benefits	21,000	21,000	21,000	21,000	21,000
Totals	\$5,565,000	\$5,718,000	\$5,954,000	\$6,221,000	\$6,524,000

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Purchased Services

The following table presents a comparison of purchased services for fiscal years 2016 through 2020.

	Forecast				
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Professional and Technical Services	\$270,000	\$275,000	\$279,000	\$283,000	\$287,000
Property Services	271,000	212,000	213,000	214,000	215,000
Travel and Meeting Expenses	10,000	10,000	10,000	11,000	11,000
Communication Costs	136,000	138,000	144,000	147,000	151,000
Utility Services	709,000	731,000	757,000	780,000	803,000
Tuition and Other Similar Payments	4,094,000	4,216,000	4,341,000	4,473,000	4,605,000
Transportation Services	405,000	409,000	413,000	417,000	422,000
Other Purchased Services	1,000	1,000	1,000	1,000	1,000
Totals	<u>\$5,896,000</u>	<u>\$5,992,000</u>	<u>\$6,158,000</u>	<u>\$6,326,000</u>	<u>\$6,495,000</u>

Professional and technical services are anticipated to increase slightly throughout the forecast period due to an expected increase in the cost of alternative schooling, processing, legal and professional services. Property services are expected to increase in fiscal year 2016 due to maintenance necessary to the bus garage. After fiscal year 2016, property services are expected to increase slightly over the remaining forecast period. Communication costs will increase slightly due to expected increases in telephone usage as well as an increase in postage prices. Utility services are showing gradual increases due to an increase in consumption and the increased cost to purchase gas, water and electric. Tuition and other similar payments are expected to increase due to open enrollment and special education excess costs. Transportation services is expected to increase slightly throughout the forecast period due to an expected increase in special education busing as well as the School District restoring bussing.

Supplies and Materials

Presented below is a comparison of supplies and materials for fiscal years 2016 through 2020.

	Forecast				
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
General Supplies	\$107,000	\$89,000	\$91,000	\$93,000	\$95,000
Library Books and Periodicals	2,000	2,000	2,000	2,000	2,000
Operations, Maintenance and Repair	236,000	254,000	259,000	264,000	270,000
Textbooks	212,000	214,000	216,000	218,000	220,000
Totals	<u>\$557,000</u>	<u>\$559,000</u>	<u>\$568,000</u>	<u>\$577,000</u>	<u>\$587,000</u>

General supplies are forecasted to increase in fiscal year 2016 due to the School District needing to replenish depleted levels and to replace outdated materials as the financial situation improves. After a drop in fiscal year 2017, it is expected to continue to increase each year at a conservative level due to the continuing need to restock supplies. Library books and periodicals are forecasted to remain the same throughout the forecasted period. Operations, maintenance and repair is anticipated to increase due to the School District replenishing custodial supplies and the cost of diesel fuel. For fiscal years 2017 through

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2020, it is expected that these expenditures will continue to increase at a conservative level. The amount spent on textbooks is expected to increase in fiscal year 2016 due to the replacement of textbooks which is necessary to begin to meet State mandated set-aside requirements and to replace out-dated textbooks that were continued to be used due to the financial condition of the School District.

Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. Capital outlay is expected to decrease during fiscal year 2016 due to fewer computer equipment and musical instruments expected to be purchased. The School District expects capital outlay to go down in fiscal year 2017 and to remain consistent through 2020.

Debt Service

Presented as follows are the debt service expenditures for fiscal years 2016 through 2020.

	Forecasted					
	Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018	
	Principal	Interest	Principal	Interest	Principal	Interest
Energy Conservation Notes	\$132,000	\$28,000	\$132,000	\$22,000	\$132,000	\$16,000
Field Turf Notes	110,000	9,000	110,000	6,000	110,000	2,000
Capital Lease	31,000	3,000	32,000	2,000	32,000	2,000
Totals	\$273,000	\$40,000	\$274,000	\$30,000	\$274,000	\$20,000

	Forecasted			
	Fiscal Year 2019		Fiscal Year 2020	
	Principal	Interest	Principal	Interest
Energy Conservation Notes	\$132,000	\$10,000	\$132,000	\$5,000
Field Turf Notes	0	0	0	0
Capital Lease	33,000	1,000	0	0
Totals	\$165,000	\$11,000	\$132,000	\$5,000

During fiscal year 2005, the School District issued \$1,979,900 in energy conservation notes at 4.35 percent. The notes are being paid from general fund revenues. The notes mature in fiscal year 2020. The principal payments on the notes for fiscal years 2016 through 2020 are \$132,000 each year. The interest payments on the notes for fiscal years 2016 through 2020 are \$28,000, \$22,000, \$16,000, \$10,000 and \$5,000, respectively. The School District paid \$132,000 in principal and \$33,000 in interest on the notes in fiscal year 2015.

During fiscal year 2014, the School District issued \$550,000 in notes for new field turf in the football stadium at 3.00 percent. The notes are being paid from general fund revenues. The notes mature in fiscal year 2018. The principal payments on the notes for fiscal years 2016 through 2018 are \$110,000 each year. The interest payments on the notes for fiscal years 2016 through 2018 are \$9,000, \$6,000 and \$2,000, respectively. The School District paid \$110,000 in principal and \$13,000 in interest on the notes in fiscal year 2015.

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During fiscal year 2015, the School District entered into a lease agreement for new school buses for \$162,650 at 2.66 percent. The lease is being paid from general fund revenues. The principal payments on the lease for fiscal years 2016 through 2019 are \$31,000, \$32,000, \$32,000 and \$33,000, respectively. The interest payments on the lease for fiscal years 2016 through 2019 are \$3,000, \$2,000, \$2,000 and \$1,000, respectively. The School District paid \$34,000 during fiscal year 2015. The first interest payment will be made in fiscal year 2016.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$206,000 in fiscal year 2016 and are expected to fluctuate throughout the forecast period with the expected cost of election expenses in fiscal years 2017 and 2019. The fiscal year 2015 amount is lower than the prior fiscal year primarily due to the School District paying lower County election expenses, as there was no need to put levies on the ballot in fiscal year 2015.

Transfers and Advances Out

In fiscal year 2015, the School District made transfers in the amount of \$90,000 to the food service special revenue fund and \$45,000 to the building capital projects fund. These transfers are not expected to occur during the forecasted period. The School District is expecting to transfer \$36,000 to the self-insurance fund in fiscal year 2016 to cover the increase in claims reserves. Transfers out are not anticipated during fiscal years 2017 through 2020. The operations of other funds are expected to be sufficient.

The School District is not forecasting advances out during the forecast period.

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 are forecasted to be \$75,000 for the fiscal years 2016 through 2020.

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 fiscal years.

The set aside amount required for fiscal year 2016 is \$433,000 and expected to be approximately \$433,000 for the remaining forecasted fiscal years. The School District anticipates \$5,735,000 in qualifying disbursements for all forecasted fiscal years due to the Ohio schools facilities commission long-term obligations as a result of building new schools. Therefore, no reserve for capital acquisition and improvements is forecasted.

Niles City School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies For the Fiscal Years Ending June 30, 2016 through June 30, 2020

Note 10 – Levies

Since 2006, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
November 2006	Classroom Facilities (Additional)	0.5 mills	23 Years	Failed
November 2006	Bond (\$17,864,166)	4.1 mills	28 Years	Failed
November 2006	Bond (\$8,145,834)	2.1 mills	23 Years	Failed
February 2007	Classroom Facilities (Additional)	0.5 mills	23 Years	Failed
February 2007	Bond (\$17,864,166)	4.1 mills	28 Years	Failed
February 2007	Bond (\$8,145,834)	2.1 mills	23 Years	Failed
November 2007	Emergency (Renewal)	4.6 mills	5 Years	Passed
November 2008	Classroom Facilities (Additional)	0.5 mills	23 Years	Passed
November 2008	Bond (\$18,028,977)	4.3 mills	28 Years	Passed
November 2008	Bond (\$2,000,000)	0.5 mills	23 Years	Passed
November 2009	2010 Emergency (Renewal)	\$1,300,000	10 Years	Passed
March 2012	2013 Emergency (Renewal)	\$1,300,000	10 Years	Passed
May 2013	Emergency (Additonal)	\$1,100,000	10 Years	Failed
May 2013	Permanent Improvement (Additional)	1.0 mills	5 Years	Failed

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 – Employee Benefits Self-Insurance Fund

The School District provides medical, dental, vision and prescription drug insurance benefits through a self-insurance program. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. The School District pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee and differs for single and family benefits. Monthly premiums are set by Board of Education. The School District anticipates costs of claims will increase in fiscal year 2016. In order to cover this increase, the School District is forecasting a transfer of \$36,000. The School District also increased premiums and it is anticipated that these premiums will be sufficient to cover future claims and administrative costs through the remaining forecast. The School District anticipates the costs of claims to increase throughout the forecast period. The monthly charges to various funds will also increase to cover the cost of claims and administrative charges and to maintain a positive cash fund balance.

Niles City School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2016 through June 30, 2020

Note 13 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes.

The School District uses the food service fund to account for the charges for services and operating grants restricted to the food service operations of the School District. This fund is forecasted to generate adequate revenue to maintain operations during the forecast period.

All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecast period.



Dave Yost • Auditor of State

NILES CITY SCHOOL DISTRICT

TRUMBULL 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
JUNE 29, 2016**