



# Sandusky City Schools

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*Office of the Treasurer/CFO*

*Yvonne Anderson*

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October 28, 2022

Members of the Board of Education and Residents of the Sandusky City School District

The Annual Comprehensive Financial Report (ACFR) of the Sandusky City School District (the "School District") for the fiscal year ended June 30, 2022 is hereby submitted. This ACFR includes financial statements and other financial and statistical data and conforms to accounting principles generally accepted in the United States of America (GAAP) as they apply to governmental entities. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School District. All disclosures necessary to enable the reader to gain an understanding of the School District's financial activities have been included.

Management of the School District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived from its implementation; and (2) the valuation of costs and benefits requires estimates and judgments by management.

State statute requires an annual audit by independent accountants. Rea & Associates, Inc. conducted the audit. The audit has been conducted in accordance with generally accepted auditing standards, generally accepted government auditing standards, and include a review of internal controls and test of compliance with Federal and State laws and regulations. The Independent Auditors' Report is included in this ACFR.

As a part of the School District's independent audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the School District has complied with applicable laws and regulations. The results of the School District's independent audit for the fiscal year ended June 30, 2021 provided no

instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

This transmittal letter is designed to provide historical information about the School District, as well as compliment the required Management's Discussion and Analysis (MD&A). Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The School District's MD&A, which focuses on the government-wide statements, can be found immediately following the Independent Auditors' Report.

## **PROFILE OF SANDUSKY CITY SCHOOL DISTRICT**

The School District ranks as 129th largest by total enrollment among the 612 public school districts in the state and is the largest in Erie County. As of the current school year (2020-2021), the average daily membership (ADM) was 3,220 students. The School District enrollment, has experienced slight decreases over the last few years, due to a charter school opening within the city.

The School District has 437 full time and 67 part time employees. The School District employs 272 certified staff members and 36 administrators. Additionally, the School District employs 6 full-time adult education instructors and 190 full-time and part-time non-teaching staff members.

The School District offers a wide variety of educational programs for all segments of the community. Sandusky High School is one of the few comprehensive high schools in Ohio, containing eleven (11) career technical education programs as well as a wide range of college preparatory offerings. Additionally, the adult continuing education program serves nearly 120 adults each year in degree programs. The School District provides extensive special education services and offers a kindergarten through twelfth grade accelerated and gifted program. All School District kindergarten students attend all-day, every day kindergarten classes and benefit from a full day of instruction.

A full range of extracurricular programs and activities is available to students beginning with the elementary grades. All School District schools have libraries, special purpose rooms, including computer labs and unique curricular offerings designed by the individual building staff and administration.

An active Council of local neighborhood Parent Councils provides for articulation, cooperation, and communication and partnership between parents, community members, and school officials.

The School District cooperates with the City of Sandusky Recreation and Parks Department, churches and a number of community and civic organizations in making school facilities available for athletic, recreational and enrichment activities.

Classroom teachers at all levels are supported by specialists in media, guidance, art, instrumental and vocal music, physical education and curriculum development. A comprehensive interscholastic and intramural sports program is offered to students at select grade levels of the School District. All elementary schools have full-time media aides and secondary schools are staffed by a certified media

specialist. School nurses, psychologists, speech therapists, one media coordinator, counselors, specific coordinators for Title I (a federally funded reading and mathematics program), and gifted programs offer direction, support and coordination of services for all students.

### **Overlapping Governmental Entities**

The major political subdivisions or other governmental entities that overlap the territory of the School District are listed below. The stated percentage is that percentage of the tax valuation of the overlapping entity that is located within the School District.

1. A portion (22% - approximately) of Erie County functions allocated to counties by Ohio law, such as elections, health and human services, and judicial.
2. The City of Sandusky (100%) has municipal corporation responsibilities.

Each of these entities operates independently, with its own separate budget, taxing power, and sources of revenue. Both Erie County and the City of Sandusky levy ad valorem property taxes within the ten-mill limitation (subject to available statutory allocation of the 10 mills). The School District also acts as fiscal agent for local tax revenues distributed to the Sandusky Library, located within the School District's boundaries, with this revenue reported in the agency funds. The School District is not considered a component unit of another government.

The School District is an active member of the Enterprise Zone Negotiating Committee, along with the City of Sandusky and Erie County. The Enterprise Zone offers tax abatements for real and personal property improvements and additions to businesses located within the city. A number of local companies have been granted partial tax abatements on additions made during the last several years. The City of Sandusky and the School District have also benefited from these expansions through additional tax revenues from the unabated portion of valuation increases on the property and from improved economic conditions resulting from growth in employment of city residents.

### ***Employees***

A statewide public employee bargaining law applies generally to public employee relations and collective bargaining. The starting salary (2020-2021 school year) for a teacher with a bachelor's degree is \$40,001, and the maximum salary for a teacher with a master's degree plus 24 graduate hours and 29 years of experience is \$85,377.

The School District's certificated employees, excluding administration, are members of the Sandusky Education Association (S.E.A.), a labor organization affiliated with the Ohio Education Association. The current contract between the Board of Education and the S.E.A. expires June 30, 2021.

All of the School District's support staff employees, including secretarial, custodial, maintenance, transportation, and teacher aides, are represented for bargaining purposes by the Sandusky Non-Teaching Employees Association (S.N.T.E.A.), a labor organization affiliated with the Ohio Education Association. The current S.N.T.E.A. contract expired June 30, 2021.

The School District has never experienced any work stoppage or job actions. In the judgment of the Board and administration, labor relations between the School District and its employees remain excellent.

### ***Parochial Schools***

The School District acts as fiscal agent for state funds distributed to parochial schools, with revenue reported in special revenue funds. The Early Childhood Center (Kindergarten Readiness and Preschool), St. Mary Elementary and Jr. High School (K-8) and St. Mary's Central Catholic High School (9-12) are all reported as a single entity under one IRN, are all located within the School District and serve students who reside both inside and outside the School District.

### ***Budgetary Controls***

In addition to the internal control structure mentioned above, the School District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Activities of all funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by the Board at the fund level. The School District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

## **ECONOMIC CONDITION**

### ***Local Economy***

The School District is located in Erie County, in Northwest Ohio, approximately sixty miles west of Cleveland and sixty miles east of Toledo. All of the School District is located within Erie County and falls entirely within the corporate boundaries of the City of Sandusky, which lies on the shores of Sandusky Bay and Lake Erie.

The School District is served by diversified transportation facilities including immediate access to four State highways and Interstate 80 (Ohio Turnpike). The School District is served by CSX, Norfolk and Southern, and Amtrak Rail Services.

Major commercial banks with offices within the School District include PNC Bank, US Bank, Key Bank, Fifth Third Bank and Civista Bank.

Two daily newspapers serve the School District. The School District falls within the broadcast area of seven television stations and numerous AM/FM radio stations. One television station is located within the city limits as are two AM/FM radio stations. The School District has a cable television license and broadcasts school information on cable Channel 81.

Within commuting distance of the School District are numerous public and private two and four-year colleges and universities including Bowling Green State University Firelands Campus, Ashland University, Cleveland State University, Toledo University, Bowling Green State University, Terra Community College, and Lorain Community College. Bowling Green State University, Terra Community College and Owens Community College utilize School District facilities and staff for course offerings to area residents and students.

The School District is served with a wide range of recreational offerings through school and City recreation and park programs. One of the things that make the School District an attractive place to live is its unique location. It is located on both Sandusky Bay and Lake Erie with over twenty-two (22) miles of shoreline within the city limits. The close association with the water and the inherent access to boating, sailing, fishing, and swimming, etc. gives this School District an atmosphere of a coastal city. Lake freighters, ferry boats, commercial fishing boats and pleasure boats are commonplace. The lake and bay along with Cedar Point Amusement Park, many fine golf courses, restaurants, motels, shops, and business enterprises have resulted in a booming tourist trade and have given the School District's area the reputation of being one of the premier places in the country to live. The School District offers the advantages of a small town, a reasonable cost of living, and excellent medical facilities (including Firelands Regional Medical Center in Sandusky).

The local economy has been in a gradual decline for several years. A number of businesses have closed or left Sandusky, taking with them a significant number of manufacturing jobs. The City's unemployment rate in June of 2021 was 8.7%, compared with state and national unemployment rates of 6.3% and 6.1% respectively. The City of Sandusky has been involved with redevelopment through interested investors, slowly increasing the local economy. In 2020, the City of Sandusky was voted the best small coastal town in the United States of America from U.S.A. Today.

As further evidence of a struggling economy in Sandusky, according to the U.S. Census Bureau the median family income in the City was \$36,117 in the year 2018, compared with \$54,041 and \$60,336 state and national averages, respectively. Additionally, the median home value in Sandusky in 2020 was \$90,800, compared with \$140,400 and \$167,500 median home values in the state and the nation, respectively.

### ***Long-Term Financial Planning***

The School District prepares a five-year financial forecast annually for use as a tool for long range planning. The five-year forecast contains projected local and state revenues, spending patterns within each area of the budget, and cash balances in the School District's operating fund. The five-year forecast provides early warning signs of potential financial problems.

The School District regularly updates the five-year forecast for use as a basis for making financial decisions, including the construction of the annual budget, adjustments to staffing levels, collective bargaining, and the placement of tax levies on the ballot. Specific examples of recent decisions that have resulted in improvements in the School District's financial condition include the approval of a 4.9 mill operating levy in 2012, the closure of school buildings due to decreased enrollment which has resulted in the net reduction of paid staff positions, the combination of 7<sup>th</sup> and 8<sup>th</sup> grade students into a separate section of Sandusky High School, the successful replacement of a 2.0 mill permanent improvement levy in 2009, the successful renewal of a five-year, \$1.5 million emergency levy in November, 2018, and a successful passage of a bond issue levy in November, 2016 for the construction of new school buildings. The School District has begun with preliminary site construction for grades 1-2 and 3-6, to be built and open for the 2020-21 school year. The PK-K grades will have a new building scheduled to open in 2022-2023 school year. The construction project began during the 2017-18 school year, with the site preparation for two new buildings. The Ontario building was demolished and the Ontario students transitioned to the building located at the Adams street site for temporary placement until the new buildings open. The Ohio Facilities Construction Commission is assisting with funding the project contributing 64%. In addition the School District is preparing to fund locally funded initiatives.

The School District continues to monitor its finances, planning for long-term viability and financial responsibility, but the uncertainty of state funding due to consistent changes in the state funding formula and current funding for open enrollment, community and non-public schools, especially scholarship funding, creates a situation where the state funding for the future is unknown and future planning becomes reactionary based on the direction of state policy and legislation.

### ***Major Initiatives for the Year***

The School District implemented and continued a number of significant programs during the past year to meet student and community needs.

The School District continued to invest in technology in the 2020-2021 school year. The School District employs a computer technician and an instructional technology facilitator to provide support to School District staff. In addition, the School District contracts for additional technician services with outside companies.

During the 2014-2015 school year, the Sandusky City School District unveiled its latest drop-out prevention/student retention program, the Sandusky Digital Academy, an alternative high school option. Initial enrollment at the Academy was approximately 110 students and that figure has remained steady.

### *Major Initiatives for the Future*

The School District will continue to upgrade all areas of technology and beyond to meet demands of a global focused 21st century education. Our priority will be to enhance hardware and software upgrades that promote seamless technology integration into our instructional and systemic deliveries.

The Sandusky City School District launched The Great Lakes Visual and Performing Arts Academy during the 2015-2016 school year. The academy will provide students with a variety of personally relevant arts opportunities which will help cultivate the whole child as they discover and develop their unique skills and talents.

The School District also rolled out its Global Experience Program which will offer our senior students the opportunity to intern with local businesses, industries, colleges, non-profits and the military in their career choice and Blue Streak University which provided and organized system for our students to complete their high school education while earning college credits with the potential of acquiring up to an associates degree.

The School District has instituted a rolling open-enrollment time frame policy and intends to expand awareness of the positive academic program offered by the School District.

### **RELEVANT FINANCIAL POLICIES**

The State of Ohio developed a new funding formula for funding public education in the state. The new formula allocates funding based on the number and demographic makeup of the School District's student population as well as the relative wealth (both property and income based) for a district. In addition to the formula aid, districts are guaranteed to not receive less funding than they did in the base year or are capped on their growth.

Another significant change in the budget bill was the restructuring of Tangible Personal Property (TPP) and Electric Deregulation Property Tax reimbursements. These reimbursements were restructured such that, for fiscal year 2017, the reduction in the School District's phase out for each reimbursement is limited to 5/8 mil. Legislation was also passed in the fall of 2016 to hold harmless thus providing the School District with TPP supplement via the state funding formula. These funding limits, spending mandates and deduction increases all have to be taken into account in monitoring the operation of the Sandusky City School District and future decisions on pursuing additional revenue or expenditure reductions.

## AWARDS AND ACKNOWLEDGEMENTS

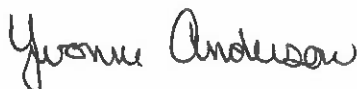
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sandusky City School District for its annual comprehensive financial report for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The School District has also received a Certificate of Excellence in Financial Reporting in School Districts from the Association of School Business Officials (ASBO) for the School District's comprehensive annual financial report for the fiscal year ended June 30, 2020. The award is granted only after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to ASBO to determine its eligibility for another certificate.

The preparation of the ACFR on a timely basis was made possible by the dedicated services of the Treasurer's office staff. In addition, we acknowledge the outstanding services of our data processing department in meeting the vast informational requirements. Our consultant, Rea & Associates, Inc. provided us with expert technical assistance in all phases of preparing the report. The assistance of the Erie County Auditor's office in providing information is also appreciated. Finally, we wish to acknowledge the cooperation of the team from Rea & Associates, Inc., who conducted a thorough audit of our finances.

In closing, without the leadership and support of the Board of Education of the School District, preparation of this report would not have been possible.

Sincerely,

  
Treasurer & CFO

  
Superintendent & CEO