



**Auditor of State  
Betty Montgomery**

**West Geauga Local School District  
Gauga County, Ohio**

**Financial Forecast  
For the Fiscal Year Ending June 30, 2005**

**Local Government Services Section**

West Geauga Local School District  
Gauga County

Table of Contents

Title	Page
Table of Contents .....	1
Certification .....	2
Independent Accountant's Report.....	3
Statement of Revenues, Expenditures and Changes in Fund Balance for the Fiscal Years Ended June 30, 2002 through 2004 Actual; Fiscal Year Ending June 30, 2005 Forecasted .....	4
Summary of Significant Forecast Assumptions and Accounting Policies .....	5



**Auditor of State  
Betty Montgomery**

Board of Education  
West Geauga Local School District  
8615 Cedar Road  
Chesterland, Ohio 44026

**CERTIFICATION**

Certification is hereby made that, based upon the requirement set forth in Section 3316.03, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the West Geauga Local School District, Geauga County, Ohio and issued a report dated May 5, 2005. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating surplus of \$493,000 as of June 30, 2005.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2006 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2005.

BETTY MONTGOMERY  
Auditor of State

A handwritten signature in black ink that reads "Peter R. Sorem".

Peter R. Sorem  
Chief of Local Government Services

May 11, 2005

Local Government Services Section  
88 E. Broad St. / Sixth Floor / Columbus, OH 43215  
Telephone: (614) 466-4717 (800) 345-2519 Fax: (614) 728-8027  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)



**Auditor of State  
Betty Montgomery**

Board of Education  
West Geauga Local School District  
8615 Cedar Road  
Chesterland, Ohio 44026

**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 West Geauga Local School District for the fiscal year ending June 30, 2005. The West Geauga Local 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 West Geauga Local School District for the fiscal years ended June 30, 2002, 2003 and 2004 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 them.

*Betty Montgomery*

Betty Montgomery  
Auditor of State

May 5, 2005

WEST GEAUGA LOCAL SCHOOL DISTRICT  
 GEAUGA COUNTY  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2002 THROUGH 2004 ACTUAL;  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2005 FORECASTED  
 GENERAL FUND

	Fiscal Year 2002 Actual	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Forecasted
<b>Revenues</b>				
General Property Tax (Real Estate)	\$11,331,000	\$11,912,000	\$13,130,000	\$14,217,000
Tangible Personal Property Tax	381,000	358,000	412,000	386,000
Unrestricted Grants-in-Aid	3,747,000	4,387,000	4,294,000	4,050,000
Restricted Grants-in-Aid	45,000	69,000	24,000	63,000
Property Tax Allocation	1,436,000	1,502,000	1,689,000	1,846,000
All Other Revenues	183,000	276,000	97,000	317,000
<i>Total Revenues</i>	<u>17,123,000</u>	<u>18,504,000</u>	<u>19,646,000</u>	<u>20,879,000</u>
<b>Other Financing Sources</b>				
Proceeds from the Sale of Notes	0	0	2,250,000	4,050,000
Advances In	29,000	112,000	112,000	26,000
Transfers In	37,000	129,000	83,000	0
<i>Total Other Financing Sources</i>	<u>66,000</u>	<u>241,000</u>	<u>2,445,000</u>	<u>4,076,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>17,189,000</u>	<u>18,745,000</u>	<u>22,091,000</u>	<u>24,955,000</u>
<b>Expenditures</b>				
Personal Services	12,162,000	12,078,000	13,015,000	13,281,000
Employees' Retirement/Insurance Benefits	2,864,000	3,171,000	3,420,000	3,760,000
Purchased Services	1,789,000	2,082,000	2,976,000	2,915,000
Supplies and Materials	670,000	626,000	714,000	739,000
Capital Outlay	195,000	94,000	16,000	1,000
Debt Service:				
Principal - Tax Anticipation Notes	0	0	1,500,000	2,450,000
Principal - Energy Conservation Bonds	80,000	80,000	80,000	80,000
Interest	16,000	12,000	7,000	53,000
Other Objects	612,000	648,000	417,000	472,000
<i>Total Expenditures</i>	<u>18,388,000</u>	<u>18,791,000</u>	<u>22,145,000</u>	<u>23,751,000</u>
<b>Other Financing Uses</b>				
Transfers Out	105,000	9,000	7,000	221,000
Advances Out	371,000	170,000	66,000	0
<i>Total Other Financing Uses</i>	<u>476,000</u>	<u>179,000</u>	<u>73,000</u>	<u>221,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>18,864,000</u>	<u>18,970,000</u>	<u>22,218,000</u>	<u>23,972,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(1,675,000)	(225,000)	(127,000)	983,000
Cash Balance July 1	2,070,000	395,000	170,000	43,000
Cash Balance June 30	<u>395,000</u>	<u>170,000</u>	<u>43,000</u>	<u>1,026,000</u>
<b>Encumbrances and Reserve:</b>				
Actual/Estimated Encumbrances June 30	153,000	148,000	42,000	492,000
Reserve for Bus Purchases	0	0	19,000	41,000
Total Encumbrances and Reserve of Fund Balance	<u>153,000</u>	<u>148,000</u>	<u>61,000</u>	<u>533,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$242,000</u>	<u>\$22,000</u>	<u>(\$18,000)</u>	<u>\$493,000</u>

See accompanying summary of significant forecast assumptions and accounting policies

West Geauga Local School District  
Gauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2005

---

**Note 1 - The School District**

The West Geauga Local School District (School District) is located in Gauga County and encompasses all of Chesterland and Russell Townships and portions of Munson Township, South Russell Village and Hunting Valley Village. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District operates four public schools including one high school, one middle school and two elementary schools. The School District is staffed by 113 classified and 177 certified personnel to provide services to 2,529 students and other community members.

**Note 2 - Nature of the Forecast**

This financial forecast presents, to the best of the West Geauga Local 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 May 5, 2005, 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 resources 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 requires the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund and an emergency levy restricted to specific operating expenditures is to be accounted for in an emergency levy fund. For presentation in the forecast, the emergency levy and general fund supported debt are included in the general fund.

**Note 4 - Summary of Significant Accounting Policies**

**A. 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.

**B. Fund Accounting**

The School District maintains its accounting 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

West Geauga Local School District  
Gauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2005

---

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 that 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 all financial resources except those required to be accounted for 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 account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Funds**

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

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

**Fiduciary Funds**

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

**C. Budgetary Process**

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

Budget – A budget of estimated cash receipts and disbursements is submitted to the Gauga 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

West Geauga Local School District  
Gauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2005

---

to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the 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 West Geauga Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

**Note 6 - Significant Assumptions for Revenues and Other Financing Sources**

**A. General and Tangible Personal Property Taxes**

Property taxes consist of real property, manufactured home, public utility real and personal property and tangible personal property taxes. Property taxes are collected for, and distributed to, the school districts in the county by the Gauga County Auditor. The School District may request advances from the Gauga 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.

The forecast excludes the receipt of any advances against fiscal year 2006 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. The forecasted operating deficit may be reduced to the extent advances are received prior to June 30, 2005 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2005.

The property tax revenues for the School District's general fund are generated from several levies. The levies for the general fund, the year approved, last year of collection, and the full tax rate are as follows:



West Geauga Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2005

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation	n/a	n/a	\$3.50
Continuing Operating	1976	n/a	27.80
Continuing Operating	1978	n/a	6.00
Continuing Operating	1989	n/a	5.00
Emergency	2003	2007	6.40
Total Tax Rate			<u>\$48.70</u>

The School District also has a levy for bond retirement of \$3.25 per \$1,000 of assessed valuation and a library bond levy for \$.30 per \$1,000 of assessed valuation. The School District also allocates \$1.00 per \$1,000 of inside millage for permanent improvements. The School District's total rate is \$53.25 per \$1,000 of assessed value.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the calendar year are recorded as revenue in the next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection. Beginning in fiscal year 2004, the School District received approximately one-half of the annual revenue from the \$3,700,000 emergency levy approved by the votes in February 2003. In fiscal year 2005, the School District received approximately one-half of the annual revenue from a \$1,800,000 emergency levy that expired in calendar year 2004.

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 property tax revenues as in the year in which the levy was approved. For all voted levies except emergency levies, increases to revenues are restricted to amounts generated from new construction. Emergency levies are intended to generate a set revenue amount annually; the revenue generated by emergency levies is not affected by changes in property valuation. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. The effective residential and agricultural rate is \$56.61 per \$1,000 of assessed valuation and the effective commercial and industrial rate is \$57.83 per \$1,000 of assessed valuation for the collection year 2005.

General Property Tax (Real Estate) - General property tax revenue includes real estate, manufactured home and public utility property taxes. The general property tax revenue estimate is based upon actual receipts and information provided by the Geauga County Auditor. The School District expects an increase of \$1,087,000 over the prior fiscal year. The increase is due to the School District receiving a full year's collection of the \$3,700,000 emergency levy passed in February 2003 compared with one half year's collection in the prior fiscal year and increased valuations from new construction. The increase is offset by the loss of the \$1,800,000 emergency levy approved by the voters in May 1999.

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 revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "property tax allocation".

Tangible Personal Property Tax - Tangible personal property tax is applied to property used in business (except for public utilities). Tangible personal property tax revenues are based upon information provided by the Geauga County Auditor. The \$26,000 decrease is attributed to the phase out reimbursement for the \$10,000 personal property exemption.

West Geauga Local School District  
Gauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2005

---

The State exempts from taxation for each taxpayer the first \$10,000 of personal property. The State reimburses the School District for the lost revenue. This reimbursement is included in the tangible personal property tax revenues. Beginning with tax year 2004, the State will phase out the reimbursement by 10 percent each year.

**B. Unrestricted Grants-in-Aid**

Unrestricted Grants-in-Aid include State Foundation payments and reimbursement for lost revenue due to utility deregulation. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. The charge-off supplement addresses certain policy issues or corrects flaws in formula aid and is also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of average daily membership (ADM) times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature) less the equivalent of 23 mills times the school district's taxable property valuation. The per pupil foundation level for fiscal year 2002 was set by State legislature at \$4,490 and \$4,949 for 2003. In 2003, State law set the base cost per pupil for fiscal year 2004 at \$5,058 and \$5,169 for fiscal year 2005.

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecasted Fiscal Year 2005	Variance Increase (Decrease)
Formula Aid	\$836,000	\$968,000	\$590,000	\$115,000	(\$475,000)
Basic Aid Guarantee	2,085,000	1,933,000	2,344,000	2,866,000	522,000
Categorical Funding	127,000	152,000	130,000	84,000	(46,000)
Transportation	554,000	591,000	744,000	766,000	22,000
Charge Off Supplement	0	638,000	245,000	0	(245,000)
Budget Reduction Order	0	(91,000)	0	0	0
Foundation Adjustments	(5,000)	16,000	55,000	(25,000)	(80,000)
<b>Total Foundation</b>	<b>3,597,000</b>	<b>4,207,000</b>	<b>4,108,000</b>	<b>3,806,000</b>	<b>(302,000)</b>
Utility Deregulation	150,000	180,000	186,000	244,000	58,000
<b>Total Unrestricted Grants-in-Aid</b>	<b>\$3,747,000</b>	<b>\$4,387,000</b>	<b>\$4,294,000</b>	<b>\$4,050,000</b>	<b>(\$244,000)</b>

Formula aid decreased due to a decline in ADM of 37 and an increase in assessed values. These amounts have been offset by increases in the base cost per pupil. Basic Aid Guarantee is the amount of additional aid on top of the current year's calculated formula aid needed to bring the School District up to the fiscal year 1998 level, the guaranteed amount. The charge off supplement represents monies that are intended to fill any gap that exists between the local revenues actually raised by the School District and the amount the foundation formula assumes the School District should raise to meet its local share of formula aid, special education and vocational education and transportation aid. The budget reduction order represents the reduction in State aid to school districts imposed by the Governor in order to balance the State's budget. No similar reduction in State aid has occurred since fiscal year 2003.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123<sup>rd</sup> General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are to be made twice a year in February and August.

West Geauga Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2005

---

**C. Restricted Grants-in-Aid**

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and a special education reimbursement. For fiscal year 2005, the School District anticipates \$22,000 in bus purchase allowance monies, \$1,000 in career tech monies and \$40,000 in the special education reimbursement. A \$39,000 increase is anticipated from the prior fiscal year due primarily to the School District receiving the special education reimbursement in fiscal year 2005 when none was received in the prior fiscal year.

**D. Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Property tax allocation revenue, based on information provided by the Geauga County Auditor, is to increase by \$160,000 from the prior fiscal year. The increase is due to the School District receiving a full year's collection of the emergency levy passed in February 2003 compared with one half year's collection in the prior fiscal year and increased valuations from new construction. The increase is offset by the loss of the \$1,800,000 emergency levy.

**E. All Other Revenues**

A comparison of all other revenue for the last three fiscal years and the forecast period is presented below:

Revenue Sources	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecasted Fiscal Year 2005	Variance Increase (Decrease)
Tuition	\$4,000	\$0	\$0	\$63,000	\$63,000
Rentals	14,000	24,000	31,000	19,000	(12,000)
Interest on Investments	114,000	55,000	40,000	53,000	13,000
Classroom Materials and Fees	12,000	16,000	5,000	73,000	68,000
Refunds of Prior Year Expenditures	14,000	54,000	17,000	88,000	71,000
Other Miscellaneous	25,000	127,000	4,000	21,000	17,000
Totals	<u>\$183,000</u>	<u>\$276,000</u>	<u>\$97,000</u>	<u>\$317,000</u>	<u>\$220,000</u>

The School District receives tuition for students with developmentally handicapped and learning disabilities. The increase is primarily due to the School District receiving \$60,000 from another school district that is equal to three years of tuition payments.

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

Classroom fees are anticipated to increase over the prior fiscal year due primarily to the newly implemented pay-to-participate program.

Refunds of prior year expenditures for the forecast year include a refund of \$40,000 due to the School District paying the cost of two students to attend the Beechwood City School District in fiscal year 2004. The students only attended for five months.

West Geauga Local School District  
Gauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2005

---

Other miscellaneous revenue increased due to an administrative fee of four percent of revenues charged to the St. Anslem Catholic School and paid from the auxiliary services fund. This fee was not charged in fiscal year 2004.

**F. Other Financing Sources**

Proceeds of Notes

During fiscal year 2005, the School District issued a \$1,700,000 tax anticipation note with a maturity date of June 29, 2005. During fiscal year 2004, the School District issued \$2,250,000 in tax anticipation notes; \$1,500,000 issued against current fiscal year 2004 anticipated revenues and \$750,000 issued in anticipation of the collection of the \$3,700,000 emergency levy. The School District will issue \$2,350,000 in tax anticipation notes in anticipation of the collection of the \$2,350,000 emergency levy approved by the voters on May 3, 2005.

Advances In

During fiscal year 2004, advances of \$66,000 were made to other School District funds. For fiscal year 2005, \$26,000 of those advances is expected to be repaid. The School District does not anticipate repayments of the remaining \$40,000 and will pass the necessary resolutions to reclassify these transactions as transfers. The Board of Education will also review advances made in fiscal years 2002 and 2003 to determine if these should also be reclassified.

Transfers In

During fiscal year 2004, the general fund received \$83,000 from the building fund, which represents the proceeds from the sale of a school building. The School District did not obtain court approval of the transfer. The School District is in the process of obtaining the proper legal authority for the transfer during fiscal year 2005.

**Note 7 - Significant Assumptions for Expenditures and Other Financing Uses**

**A. Personal Services**

Personal service expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance and overtime. All employees receive their compensation on a bi-weekly basis. The certified, including administrative staff and classified staff are currently at 278 full-time equivalents for the general fund and are expected to remain at this level during the forecast period.

West Geauga Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2005

---

A comparison of staffing levels is presented below:

	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
General Fund:				
Certified	171	175	180	175
Classified	111	108	108	103
Total General Fund	<u>282</u>	<u>283</u>	<u>288</u>	<u>278</u>
Other Funds:				
Certified	2	2	2	2
Classified	10	10	10	10
Total Other Funds	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
Totals	<u><u>294</u></u>	<u><u>295</u></u>	<u><u>300</u></u>	<u><u>290</u></u>

Certified (teacher) and classified staff salaries are based on negotiated contracts that include base and step increases and educational incentives. Both the certified and classified contracts cover the period July 1, 2004 to June 30, 2007. These contracts allow for a 2.75 percent increase in the base salary each year as well as step increases ranging from 1.51 percent to 4.74 percent for certified staff and 1.51 percent to 3.67 percent for classified staff depending on years of experience and position. Administrative and non-bargaining unit salaries are set by the Board of Education. Base salary increases for fiscal years 2002, 2003, and 2004 were 3 percent, 3 percent, and 3.3 percent, respectively.

The School District allowed certified employees to request the remainder of their contract be paid in June instead of throughout the summer. This option was terminated in fiscal year 2003 due to financial problems. Fiscal year 2002 was the last time the School District paid the certified employees the remainder of their contracts in one lump sum.

Supplemental salaries are forecast to increase due to the increase in the base salary for fiscal year 2005.

The School District offers severance pay upon retirement to its certified and classified employees who qualify for retirement under STRS and SERS guidelines. Payments for certified staff are 25 percent of their unused sick leave up to a maximum of 265 days accrued or 66.25 days paid at their daily rate. Payments for classified staff are 25 percent of their unused sick leave days up to a maximum of 250 days accrued or 62.50 days paid at their current daily rate. Payment for administrators are 50 percent of their unused sick leave up to a maximum of 280 days accrued or 140 days paid for those with 35 years of service, 35 percent of their unused sick leave up to a maximum of 280 days accrued or 98 days paid for those with 30 to 34 years of service, or 25 percent of their unused sick leave up to a maximum of 280 days accrued or 70 days paid for those with 1 to 29 years of service at their daily rate. Severance costs are anticipated to decrease due to the retirement of two less employees during the forecast period compared with fiscal year 2004.

The School District offers an early retirement incentive of \$25,000 to certified employees who meet the STRS retirement criteria and for SERS employees who meet the retirement criteria, 25 percent of the employee's base salary. The payment is made in January in the year following the date of retirement.

Presented below is a comparison of salaries and wages for the last three fiscal years and the forecast period.

West Geauga Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2005

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Certified Salaries	\$8,640,000	\$8,393,000	\$8,987,000	\$9,198,000	\$211,000
Classified Salaries	2,548,000	2,639,000	2,751,000	2,832,000	81,000
Substitute Salaries	500,000	413,000	514,000	485,000	(29,000)
Supplemental Contracts	466,000	468,000	515,000	544,000	29,000
Severance	0	107,000	145,000	118,000	(27,000)
Early Retirement Incentive	0	50,000	95,000	96,000	1,000
Compensation of Board Members	8,000	8,000	8,000	8,000	0
Totals	<u>\$12,162,000</u>	<u>\$12,078,000</u>	<u>\$13,015,000</u>	<u>\$13,281,000</u>	<u>\$266,000</u>

**B. 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 employer's contribution rate of fourteen percent of salaries of STRS and SERS members. The payments are deducted over the next calendar year from the semi-monthly State foundation settlements based on an estimate of the salaries and wages for the fiscal year submitted to the pension systems in the first quarter of each fiscal year. Adjustments resulting from variances between estimated and actual salaries and wages are prorated over the next calendar year. In addition to the employer's retirement contributions, the School District pays all or part of the employee's retirement contribution for the superintendent, 9 certified administrators, the treasurer, and 5 classified administrators.

Health care costs are based on the premiums for United Healthcare and Kaiser, the health insurance providers for the School District. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The health care program includes medical/surgical, prescription drug, dental care and vision. Health care premiums are fixed on a calendar year basis. Health care costs are anticipated to increase during fiscal year 2005 due to an increase in premiums of approximately 10.8 percent and 10 addition employees taking health care during fiscal year 2005 that did not take it during fiscal year 2004.

Life insurance premiums are based on the coverage terms of the existing contracts, the anticipated number of employees participating in the program and the monthly premiums. Life insurance costs are forecast to remain consistent with the prior fiscal year.

Workers' compensation is forecast to increase. Workers' compensation is based on the School District's assigned rate and the actual salaries and wages paid in the previous calendar year. The increase is due to increases in the assigned rate and the calendar year wages, which is offset by a 20 percent rebate of the premium. In fiscal years 2002, 2003, and 2004, the rebates were 75 percent, 50 percent and 20 percent, respectively. Each year these rebates were partially offset by increases in the assigned rate.

Medicare benefits are based on the employers' rate of 1.45 percent of the payroll costs for contributing staff.

West Geauga Local School District  
Gauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2005

Presented below is a comparison of the last three fiscal years and the forecast period:

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Employer's Retirement	\$1,761,000	\$1,818,000	\$1,885,000	\$1,968,000	\$83,000
Health and Life Insurance	965,000	1,178,000	1,347,000	1,576,000	229,000
Workers' Compensation	13,000	43,000	40,000	67,000	27,000
Medicare	122,000	131,000	145,000	148,000	3,000
Other	3,000	1,000	3,000	1,000	(2,000)
<b>Totals</b>	<b>\$2,864,000</b>	<b>\$3,171,000</b>	<b>\$3,420,000</b>	<b>\$3,760,000</b>	<b>\$340,000</b>

**C. Purchased Services**

Presented below are the purchased services expenditures for the last three fiscal years and the forecast period:

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Professional and Technical Services	\$504,000	\$552,000	\$1,007,000	\$1,104,000	\$97,000
Property Services	181,000	162,000	155,000	164,000	9,000
Travel Costs	67,000	35,000	47,000	34,000	(13,000)
Communication Costs	79,000	79,000	85,000	70,000	(15,000)
Utility Services	503,000	537,000	621,000	575,000	(46,000)
Trade Services	47,000	44,000	46,000	50,000	4,000
Tuition Payments	402,000	669,000	998,000	905,000	(93,000)
Pupil Transportation	1,000	2,000	14,000	10,000	(4,000)
Other Purchased Services	5,000	2,000	3,000	3,000	0
<b>Totals</b>	<b>\$1,789,000</b>	<b>\$2,082,000</b>	<b>\$2,976,000</b>	<b>\$2,915,000</b>	<b>(\$61,000)</b>

Professional and technical services increased due to additional special education services provided by the Gauga County Educational Service Center. Utility services decreased due to natural gas rebates received from participation in a cooperative purchasing program. Tuition paid to other school districts is anticipated to decrease due to the timing of invoices received for services in prior years.

**D. Supplies and Materials**

Presented below are the supplies and materials expenditures for the last three fiscal years and the forecast period:

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$343,000	\$278,000	\$316,000	\$318,000	\$2,000
Operations, Maintenance and Repair	318,000	334,000	373,000	410,000	37,000
Textbooks	9,000	14,000	25,000	11,000	(14,000)
<b>Totals</b>	<b>\$670,000</b>	<b>\$626,000</b>	<b>\$714,000</b>	<b>\$739,000</b>	<b>\$25,000</b>

The anticipated increase in supplies and materials is primarily due to an increase in fuel prices for the buses.

West Geauga Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2005

---

**E. Capital Outlay**

The acquisition or construction of property, plant, and equipment for general governmental services is recorded as an expenditure. Depreciation is not recorded for these general capital assets, as the purpose of the financial statements is to report the expenditure of resources, not costs. Beginning in fiscal year 2003 the School District has allocated 1.0 mill of its inside millage for permanent improvements. The 1.0 mill generates approximately \$584,000 annually and is included in the permanent improvement fund. The School District uses this fund to make most capital expenditures.

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Equipment - New	\$146,000	\$67,000	\$15,000	\$1,000	(\$14,000)
Vehicles - Replacement	6,000	0	0	0	0
Equipment - Replacement	43,000	27,000	1,000	0	(1,000)
<b>Totals</b>	<b>\$195,000</b>	<b>\$94,000</b>	<b>\$16,000</b>	<b>\$1,000</b>	<b>(\$15,000)</b>

**F. Debt Service**

General fund supported debt consists of an \$80,000 energy conservation bond, a \$2,250,000 tax anticipation note and a \$1,700,000 tax anticipation note. The total principal and interest that will be paid in fiscal year 2005 is as follows:

	Principal	Interest	Total
Energy Conservation Bonds	\$80,000	\$2,000	\$82,000
2004 Tax Anticipation Note	750,000	17,000	767,000
2005 Tax Anticipation Note	1,700,000	34,000	1,734,000
<b>Totals</b>	<b>\$2,530,000</b>	<b>\$53,000</b>	<b>\$2,583,000</b>

**G. Other Objects**

Presented below are the other object expenditures for the prior three fiscal years and the forecast period. The School District had implemented a pay-to-participate program. Since the passage of the new emergency levy on May 3, 2005, the School District will be refunding all monies received for this program back to the community members who had originally paid thus causing the increase in other objects.

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Dues and Fees	\$371,000	\$406,000	\$115,000	\$112,000	(\$3,000)
Liability Insurance	13,000	19,000	20,000	20,000	0
Auditor and Treasurer Fees	197,000	204,000	230,000	256,000	26,000
Election Expenses	8,000	1,000	24,000	2,000	(22,000)
Other Miscellaneous	23,000	18,000	28,000	82,000	54,000
<b>Totals</b>	<b>\$612,000</b>	<b>\$648,000</b>	<b>\$417,000</b>	<b>\$472,000</b>	<b>\$55,000</b>



West Geauga Local School District  
Gauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2005

---

**H. Operating Transfers and Advances Out**

The School District expects to make \$221,000 in transfers to the bond retirement, permanent improvement, food service, uniform school supplies and summer school funds. No advances from the general fund are anticipated during fiscal year 2005 due to the School District requesting a drawdown on grant funds on a monthly basis.

**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 the budgetary 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 are for benefits, purchased services, supplies and materials, capital outlay and other expenditure objects. For fiscal year 2005, encumbrances are forecasted at \$492,000 due to a change in year-end procedures. The School District canceled purchase orders at fiscal year end and opened new purchase orders in the new fiscal year to pay the prior year obligations. This practice will no longer occur.

**Note 9 - Reservations of Fund Balance**

The School District is required by State statute to set aside annually in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount 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 the future years. The School District also receives money from the State restricted for the purchase of buses that is recorded in the general fund.

**A. Textbooks and Instructional Materials**

The set aside requirement for fiscal year 2005 is \$363,000. There was a carryover of \$15,000 in excess qualified expenditures from prior fiscal years. The School District anticipates \$424,000 in qualified expenditures during the current fiscal year. Therefore, no reserve for textbooks and instructional materials is forecasted.

**B. Capital Acquisition and Improvements**

The set aside amount for fiscal year 2005 is \$363,000. The School District anticipates \$1,000 in qualified expenditures and \$584,000 in offsets. Therefore, no reserve for capital acquisition and improvements is anticipated.

**C. Bus Purchases**

At June 30, 2004, the School District had \$19,000 in unspent bus monies. The School District received \$22,000 in a bus purchase allowance during fiscal year 2005. Therefore, the reserve for bus purchases is \$41,000.

West Geauga Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2005

---

**Note 10 - Levies**

In the past ten years, the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
March, 1996	Emergency	\$1,300,000	4 Years	Passed
November, 1998	Emergency	1,800,000	4 Years	Failed
May, 1999	Emergency	1,800,000	4 Years	Passed
November, 2002	Emergency	3,700,000	4 Years	Failed
February, 2003	Emergency	3,700,000	4 Years	Passed
November, 2004	Emergency	950,000	5 Years	Failed
February, 2005	Emergency	2,350,000	5 Years	Failed
May, 2005	Emergency	2,350,000	5 Years	Passed

**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 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**WEST GEAUGA LOCAL SCHOOL DISTRICT  
GEAUGA 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  
MAY 11, 2005**