



Mary Taylor, CPA
Auditor of State

**Ledgemont Local School District
Geauga County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2011**

Local Government Services Section

Ledgemont Local School District
Geauga County

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Mary Taylor, CPA

Auditor of State

Board of Education
Ledgemont Local School District
16200 Burrows Road
Thompson, Ohio 44086

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 Ledgemont Local School District, Geauga County, Ohio, and issued a report dated September 15, 2010. 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 deficit for the fiscal year ending June 30, 2011 of \$2,170,000.

The forecasted revenues include all income taxes scheduled for settlement during the forecast period. The School District has the ability to issue tax anticipation notes under Ohio Revised Code Section 5748.05 not exceeding fifty percent of the total estimated proceeds of the tax to be collected for its first year of collection as estimated by the tax commissioner. The School District has issued \$200,000 in tax anticipation notes during fiscal year 2011. The forecasted operating deficit may be reduced to the extent the remaining \$300,000 in tax anticipation notes are issued prior to June 30, 2011. Currently, it is the Board's intent not to issue the remaining \$300,000 in tax anticipation notes for fiscal year 2011.

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 2012 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 tax advances are received prior to June 30, 2011, 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 2011.

MARY TAYLOR, CPA
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith
Chief of Local Government Services

November 9, 2010



Mary Taylor, CPA

Auditor of State

Board of Education
Ledgemont Local School District
16200 Burrows Road
Thompson, Ohio 44086

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 Ledgemont Local School District for the fiscal year ending June 30, 2011. The Ledgemont 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 Ledgemont Local School District for the fiscal years ended June 30, 2008, 2009 and 2010 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. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 15, 2010

Ledgemont Local School District
 Geauga County
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Years Ended June 30, 2008 Through 2010 Actual;
 For the Fiscal Year Ending June 30, 2011 Forecasted
 General Fund

	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Forecasted
Revenues				
General Property Taxes	\$1,893,000	\$1,842,000	\$1,886,000	\$1,831,000
Tangible Personal Property Taxes	183,000	117,000	63,000	0
Income Tax	719,000	657,000	226,000	105,000
Unrestricted Grants-in-Aid	2,226,000	2,261,000	2,058,000	1,980,000
Restricted Grants-in-Aid	66,000	100,000	31,000	27,000
Restricted Federal Grants-in-Aid - SFSF	0	0	140,000	150,000
Property Tax Allocation	365,000	487,000	566,000	585,000
All Other Revenues	143,000	223,000	201,000	176,000
<i>Total Revenues</i>	<u>5,595,000</u>	<u>5,687,000</u>	<u>5,171,000</u>	<u>4,854,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	0	0	0	200,000
Transfers In	0	0	101,000	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>101,000</u>	<u>200,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>5,595,000</u>	<u>5,687,000</u>	<u>5,272,000</u>	<u>5,054,000</u>
Expenditures				
Personal Services	2,583,000	2,843,000	2,611,000	2,537,000
Employees' Retirement/Insurance Benefits	1,012,000	982,000	1,147,000	1,374,000
Purchased Services	1,571,000	1,696,000	1,360,000	1,967,000
Supplies and Materials	211,000	135,000	176,000	181,000
Capital Outlay	6,000	0	2,000	236,000
Debt Service:				
Interest	0	0	0	3,000
Other Objects	110,000	176,000	170,000	228,000
<i>Total Expenditures</i>	<u>5,493,000</u>	<u>5,832,000</u>	<u>5,466,000</u>	<u>6,526,000</u>
Other Financing Uses				
Transfers Out	10,000	0	24,000	0
Advances Out	0	0	0	82,000
<i>Total Other Financing Uses</i>	<u>10,000</u>	<u>0</u>	<u>24,000</u>	<u>82,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>5,503,000</u>	<u>5,832,000</u>	<u>5,490,000</u>	<u>6,608,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	92,000	(145,000)	(218,000)	(1,554,000)
Cash Balance July 1	316,000	408,000	263,000	45,000
Cash Balance (Deficit) June 30	408,000	263,000	45,000	(1,509,000)
Encumbrances				
Actual/Estimated Encumbrances June 30	267,000	312,000	1,000	25,000
Reserves for:				
Budget Stabilization	24,000	24,000	0	0
Textbooks and Instructional Materials	385,000	476,000	409,000	343,000
Capital Improvements	423,000	514,000	513,000	293,000
Bus Purchase	16,000	16,000	16,000	0
Total Encumbrances and Reserves of Fund Balance	<u>1,115,000</u>	<u>1,342,000</u>	<u>939,000</u>	<u>661,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(\$707,000)</u>	<u>(\$1,079,000)</u>	<u>(\$894,000)</u>	<u>(\$2,170,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies
 See independent accountant's report

Ledgemont Local School District
Geauga County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

Note 1 – The School District

The Ledgemont Local School District (the School District) is located in Geauga County and encompasses the Townships of Thompson, Montville and Huntsburg. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates an elementary school and one middle/high school. The School District is staffed by 26 classified and 46 certificated personnel to provide services to approximately 574 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Ledgemont 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 September 15, 2010, 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 school district fiscal stabilization fund is 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

Ledgemont Local School District
Geauga County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

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 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 those 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).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

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.

Ledgemont Local School District
Geauga County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

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

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

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire 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 Ledgemont 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 are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Tangible personal property used in businesses was taxed in calendar years prior to 2011. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Geauga 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.

Real and public utility personal 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 2011 (the collection year) for real and public utility property taxes represents collections of 2010 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.

Ledgemont Local School District
 Geauga County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2011

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

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2012 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 2011.

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

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Full Tax Rate (Per \$1,000 of Assessed Valuation)</u>
Inside Ten Mill Limitation (Unvoted)	n/a	\$4.50
Continuing Operating	1976	25.40
Continuing Operating	1980	4.50
Continuing Operating	1988	7.90
Continuing Operating	1992	<u>8.90</u>
Total Tax Rate		<u><u>\$51.20</u></u>

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) nor to tangible personal or public utility personal property levy rates. 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 \$20.02 per \$1,000 of assessed valuation for collection year 2011, and the effective commercial and industrial real property tax rate is \$24.86 per \$1,000 of assessed valuation for collection year 2011.

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. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year

Ledgemont Local School District
Geauga County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility real and personal 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 Geauga County Auditor. The School District anticipates a decrease of \$55,000 from the prior fiscal year due to a decrease in assessed values, which decreases the tax revenue received on inside millage.

Tangible Personal Property Tax – Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected in calendar year 2010 from general business taxpayers and no tangible personal property tax on telephone property will be collected in 2011. The School District, based on the last year of collections before the phase out period, lost approximately \$207,000, annually. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below). The decrease in revenue for the forecast period compared to the prior fiscal year is due to the phase out of tangible personal property taxes.

B. – Income Tax

On November 6, 2001, the voters approved a seven year, .75 percent income tax that became effective on January 1, 2002. The tax is levied on the income of residents and of estates of the Ledgemont Local School District. The last year the tax was levied was 2008. The School District received delinquencies during fiscal year 2010. On May 4, 2010, the voters approved a five year, 1.25 percent income tax that becomes effective on January 1, 2011, which is estimated to generate a minimum of \$1,000,000 annually. The tax is levied on the earned income of residents of the Ledgemont Local School District. The forecasted amount for fiscal year 2011 is based upon the \$54,000 in delinquencies collected from the prior income tax levy and \$51,000 based on the Ohio Department of Taxation’s timeline for receiving district income tax payments and the estimated percentages for collections per quarter by the State Tax Commissioner.

C. - Unrestricted Grants-in-Aid

Prior to fiscal year 2010, the State’s foundation program was established by Chapter 3317 of the Ohio Revised Code and included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee were provided to address certain policy issues or correct flaws in formula aid were also included in this revenue. The semi-annual payments were calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills multiplied by the school district’s taxable property valuation. The per pupil foundation level was set by State Legislature. Beginning in fiscal year 2008, the per pupil amount was increased by four base supplements called “building blocks.” The building blocks were funding for intervention, professional development, data based decision making, and professional development for data based decision making.

Ledgemont Local School District
 Geauga County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2011

The per pupil amount for fiscal years 2008 to 2009 are as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
2008	\$5,565	\$49	\$5,614
2009	5,732	51	5,783

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-based Model was established in Chapter 3306 of the Ohio Revised Code and links educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporates 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 is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors are 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 are student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 22 mills for fiscal year 2010 and 2011.

The State Department of Education, Division of School Finance calculates the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount are phased in over a five year period. In addition, school districts are guaranteed 99 percent of prior year's State Foundation aid in fiscal year 2010 and 98 percent of in fiscal year 2011. For fiscal year 2011, the Ledgemont Local School District estimates \$1,980,000 in adequacy funding. The \$78,000 decrease is due to the increase in State Fiscal Stabilization funding percentage, the decrease in the guarantee funding as well as a decrease in ADM of 26 kids.

In fiscal years 2010 and 2011, approximately six percent and nine percent, respectively, of the adequacy funding is provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (see D - Restricted Federal Grants-in-Aid).

D. - Restricted Grants-in-Aid

In past years, restricted grants-in-aid consist of career technologies, bus purchase, and catastrophic aid special education monies. Catastrophic aid is a supplemental payment to the School District for special education students in categories two through five whose educational and related expenses exceed \$27,375 and for special education students in category six whose educational and related expenses exceed \$32,850. For fiscal year 2011, the School District anticipates \$27,000 in restricted grants-in-aid monies for career technologies and catastrophic aid.

E. - Restricted Federal Grants-in-Aid

In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. The School District received \$140,000 in fiscal year 2010 that was used for purchased services from the Geauga

Ledgemont Local School District
 Geauga County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2011

County Educational Service Center. The Ledgemont Local School District, based on estimates provided by the Department of Education, anticipates \$150,000 for fiscal year 2011. These funds have limited restrictions on their use. The School District has chosen to use these funds for purchased services from the Geauga County Education Service Center.

F. - 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. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption increased State allocation revenue and decrease property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2011, the School District anticipates receiving \$320,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

<u>Revenue Sources</u>	<u>Actual Fiscal Year 2008</u>	<u>Actual Fiscal Year 2009</u>	<u>Actual Fiscal Year 2010</u>	<u>Forecasted Fiscal Year 2011</u>	<u>Variance</u>
Homestead and Rollback	\$237,000	\$259,000	\$264,000	\$265,000	\$1,000
Tangible Personal Property Loss Reimbursement	128,000	228,000	302,000	320,000	18,000
Totals	\$365,000	\$487,000	\$566,000	\$585,000	\$19,000

G. - All Other Revenues

All other revenues include tuition, extracurricular fees, interest, student class fees and other revenue.

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

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is anticipated to be consistent with the prior year due to low interest rates and little money available to invest in fiscal year 2011.

Ledgemont Local School District
 Geauga County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2011

The School District has a play to participate fee that is charged for extracurricular activities. The extracurricular fees, along with the student fees for classroom materials, are expected to remain consistent with the prior year.

During fiscal year 2010, the School District sold a special education bus. This is not forecasted to reoccur in fiscal year 2011.

All other revenues consist of the following:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecasted Fiscal Year 2011	Variance Increase (Decrease)
Open Enrollment Tuition	\$2,000	\$172,000	\$170,000	\$152,000	(\$18,000)
Extracurricular Fees	12,000	11,000	11,000	11,000	0
Interest	43,000	13,000	2,000	2,000	0
Student Class Fees	11,000	14,000	6,000	6,000	0
Sale of Capital Asset	7,000	2,000	7,000	0	(7,000)
Other	68,000	11,000	5,000	5,000	0
Totals	<u>\$143,000</u>	<u>\$223,000</u>	<u>\$201,000</u>	<u>\$176,000</u>	<u>(\$25,000)</u>

H. – Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2011, the School District issued \$200,000 in tax anticipation notes at 3.88 percent against the future income tax levy collections. The School District will make an interest payment in fiscal year 2011 and will begin retiring principal over a five year period in fiscal year 2012.

Transfers In – During fiscal year 2010, the School District transferred in \$101,000 from various grant funds to reimburse the general fund for qualifying expenditures. The School District does not anticipate any transfers in during fiscal year 2011.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

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

Staffing levels for the last three fiscal years and the forecast period are displayed in the chart below. The amounts represent full time equivalents.

Ledgemont Local School District
 Geauga County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2011

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund:				
Certified	47.0	43.0	43.8	42.2
Classified	<u>22.0</u>	<u>22.0</u>	<u>22.0</u>	<u>20.0</u>
Total General Fund	<u>69.0</u>	<u>65.0</u>	<u>65.8</u>	<u>62.2</u>
Other Funds				
Certified	3.0	3.0	3.1	3.8
Classified	<u>8.0</u>	<u>7.0</u>	<u>7.1</u>	<u>6.0</u>
Total Other Funds	<u>11.0</u>	<u>10.0</u>	<u>10.2</u>	<u>9.8</u>
Totals	<u><u>80.0</u></u>	<u><u>75.0</u></u>	<u><u>76.0</u></u>	<u><u>72.0</u></u>

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives for existing staff. The contract covers the period September 1, 2006 to August 31, 2009. The School District reached an agreement with the certified staff to extend the contract for one year with no increase in base, but step increases ranging from 1 to 6 percent for fiscal year 2010. The School District is currently negotiating a contract to begin September 1, 2010. Certified employees received annual step increases for fiscal year 2011 as the old contract is still in effect until a new one is approved. The decrease in certified salaries is due to resignation and retirement of seven employees offset by step increases and the replacement of four employees at a lower rate.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period September 1, 2006 to August 31, 2009. The School District reached an agreement with the classified staff to extend the contract for one year with no increase in base, but step increases ranging from 1 to 3 percent. The School District is currently negotiating a contract to begin September 1, 2010. Classified salaries are forecasted to decrease due to the reduction of two employees offset by the step increase.

In prior fiscal years, certified and classified staff received base salary increases of 2 percent, 1 percent, and 0 percent in fiscal years 2008, 2009 and 2010; respectively, and step increases. The likelihood of achieving similar base increases for fiscal year 2011 is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. Should the School District agree to a two percent increase in base, it would increase certified salaries and benefits \$36,000 and \$6,000; respectively and classified salaries and benefits \$8,000 and \$2,000; respectively, and increase the deficit by the same amount. Each additional one percent increase, would increase certified and classified salaries and benefits \$21,000 and \$5,000, respectively, beginning in 2011 and increase the deficit by the same amount.

Supplemental and substitute salaries are forecasted to remain consistent with fiscal year 2010 for both certified and classified staffing.

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 and classified employees is equal to one fourth of their unused sick leave, but not to exceed 80 days payable in January in the year following retirement. Severance costs are anticipated to increase due to four staff members retiring during the forecast period as compared to one retiree in fiscal year 2010.

Presented below is a comparison of salaries and wages for fiscal years 2008, 2009, and 2010 and the forecast period.

Ledgemont Local School District
 Geauga County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2011

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Certified Salaries	\$1,850,000	\$2,042,000	\$1,895,000	\$1,842,000	(\$53,000)
Classified Salaries	535,000	539,000	498,000	457,000	(41,000)
Substitute Salaries	82,000	93,000	83,000	83,000	0
Supplemental Contracts	92,000	110,000	85,000	85,000	0
Severance	0	38,000	24,000	44,000	20,000
Other Salaries and Wages	24,000	21,000	26,000	26,000	0
Totals	<u>\$2,583,000</u>	<u>\$2,843,000</u>	<u>\$2,611,000</u>	<u>\$2,537,000</u>	<u>(\$74,000)</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 employers’ contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care 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 the superintendent and treasurer.

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 is for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Ledgemont Local School District has chosen option two; therefore, the School District’s retirement costs will increase during fiscal year 2011. The decrease from the reduction in employees is offset by SERS changing its payment guidelines beginning for fiscal year 2011.

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

Coverage:	<u>Effective August 1, 2009</u>	<u>Effective August 1, 2010</u>
Health		
Certified		
Single	\$501.13	\$633.80
Family	1,167.57	1,499.50
Classified		
Single	371.13	633.80
Family	1,182.57	1,514.50

Ledgemont Local School District
 Geauga County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2011

Coverage:	Effective August 1, 2009	Effective August 1, 2010
Dental		
Single	\$27.13	\$28.38
Family	81.33	97.25
Employee plus Spouse	61.01	63.88
Employee plus Children	58.52	63.88
Vision		
Single	6.46	6.46
Family	14.50	14.50

Health care costs are based on the number of employees participating in the program and the type of coverage (single or family) provided to each employee. The health care program includes medical, prescription drug, dental care, and vision. Health care rates are fixed for a twelve month period. The increase in health care/dental/life insurance is due to the increase in premiums

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. In fiscal year 2009, the School District paid the 55 percent of the premium for calendar year 2007 and 100 percent of the premium for calendar year 2008. The workers' compensation premium due in 2011 is forecasted to decrease due to the decrease in wages.

Medicare and deductible coverage are forecasted to remain consistent with the prior year. Employees are responsible for a healthcare deductible of \$100 for single and \$200 for family per the negotiated contracts. In order to receive a better premium rate, the School District has agreed to a plan with a deductible of \$3,000 and \$4,500 for single and family coverage, respectively. The School District utilizes Vantage Financial Group, a third party administrator, to track the claims paid until the deductible has been reached. This line item is forecasted to increase slightly from the prior year.

Presented below is a comparison of fiscal years 2008, 2009, 2010, and the forecast period:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Employer's Retirement	\$422,000	\$388,000	\$392,000	\$429,000	\$37,000
Health Care/Life Insurance	519,000	520,000	673,000	863,000	190,000
Workers' Compensation	12,000	22,000	14,000	13,000	(1,000)
Medicare	36,000	12,000	31,000	32,000	1,000
Deductible Coverage	17,000	32,000	31,000	32,000	1,000
Other Benefits	6,000	8,000	6,000	5,000	(1,000)
Totals	\$1,012,000	\$982,000	\$1,147,000	\$1,374,000	\$227,000

Ledgemont Local School District
 Geauga County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2011

C. - Purchased Services

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

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Professional and Technical Services	\$627,000	\$458,000	\$227,000	\$594,000	\$367,000
Property Services	180,000	246,000	230,000	247,000	17,000
Travel and Meeting Expenses	9,000	10,000	16,000	12,000	(4,000)
Communication Costs	36,000	13,000	18,000	18,000	0
Utility Services	137,000	166,000	109,000	226,000	117,000
Tuition Payments	579,000	793,000	758,000	840,000	82,000
Pupil Transportation	3,000	10,000	2,000	30,000	28,000
Totals	<u>\$1,571,000</u>	<u>\$1,696,000</u>	<u>\$1,360,000</u>	<u>\$1,967,000</u>	<u>\$607,000</u>

Professional and technical services increased over the prior fiscal year due to the School District holding bills for services from the Geauga County Educational Service Center for fiscal year 2010 to be paid in fiscal year 2011. Property services increased due to an increase in repairs. Utility services increased due to an error in the electric utility billing. The School District was not billed for two electric lines during calendar year 2009. Tuition payments increased due to more students attending community schools. Pupil transportation increased due to the increased cost of transporting special education students.

D. - Supplies and Materials

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

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$65,000	\$67,000	\$57,000	\$57,000	\$0
Operations, Maintenance and Repair	133,000	65,000	109,000	115,000	6,000
Textbooks	13,000	3,000	10,000	9,000	(1,000)
Totals	<u>\$211,000</u>	<u>\$135,000</u>	<u>\$176,000</u>	<u>\$181,000</u>	<u>\$5,000</u>

Supplies and materials are forecasted to increase due to the anticipated increase in operation, maintenance and repairs. This increase is due to the School District needing to repair old equipment.

E. - Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2011, the School District is forecasting \$236,000 in equipment expenditures, which is \$234,000 more than in fiscal year 2010 due to the purchase of a special education bus and a new boiler.

Ledgemont Local School District
Geauga County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

F. – Debt Service

During fiscal year 2011, the School District issued \$200,000 in tax anticipation notes at 3.88 percent. The School District will make principal and interest payments through fiscal year 2016. The School District will pay \$3,000 in interest on these notes during fiscal year 2011. These notes are being repaid with income tax revenues.

G. - Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$228,000. This amount is higher than the prior fiscal year due largely to the School District having higher county board expenditures as a result of more School District students being served by the county board.

H. - Advances Out

The School District is forecasting advances out of \$82,000 during the forecast period to eliminate deficits in other School District funds. These advances are repaid in the following fiscal year when revenue is received.

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. The School District closely monitors its encumbrances as it nears the fiscal year end. The School District is forecasting \$25,000 in encumbrances for fiscal year 2011.

Note 9 - Reservations of Fund Balance

The School District is required by State statute to annually set aside 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 future years.

Beginning in fiscal year 2006, HB 66 allows school districts in fiscal emergency to set aside less than the annual required set aside amount or set aside nothing in textbooks and instruction materials and the capital and maintenance set asides. The Board of Education, by resolution, has chosen to set aside no current year revenue in the textbook and instruction materials and the capital and maintenance set asides for fiscal year 2010 and is anticipating repeating this for fiscal year 2011.

Ledgemont Local School District
Geauga County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

A. – Budget Reserve

Effective April 10, 2001, Amended Senate Bill 345, deleted from law the requirement for school districts to establish a reserve for budget stabilization. During fiscal year 2010, the School District's budget reserve was used for instructional materials.

B. – Textbooks and Instructional Materials Set-Aside

The School District had a carryover balance of \$409,000 from fiscal year 2010. The School District anticipates \$66,000 in qualifying expenditures during the current fiscal year. Therefore, a \$343,000 reserve for textbooks and instructional materials is forecasted.

C. – Capital Acquisition and Improvements Set-Aside

The School District had a carryover balance of \$513,000 from fiscal year 2010. The School District anticipates \$220,000 in qualifying expenditures during the current fiscal year that includes large repairs to the School Districts buildings and equipment. Therefore, a \$293,000 reserve for capital acquisition and improvements is forecasted.

D. – Bus Purchases

At June 30, 2010, the School District had \$16,000 in unspent bus monies. The School District anticipates spending \$35,000 on the purchase of one new bus in fiscal year 2011, therefore no reserve for bus purchase is forecasted.

Note 10 - 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 11 - Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed transactions resulting from an audit or review by the grantor could become a liability of the general fund or other applicable funds. During fiscal year 2010, the School District transferred \$101,000 from various grant funds to the general fund. It is uncertain if these transfers will result in a request for return of the grant proceeds. The forecasted operating deficit may be increased to the extent the transfers and grant expenditures are disallowed and the grant proceeds are returned prior to June 30, 2011.

Note 12 - Levies

Since 1999, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Ledgemont Local School District
 Geauga County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2011

Date	Type	Amount	Term	Election Results
May 1999	Income Tax	1.00%	Continuing	Failed
November 1999	Income Tax	0.50%	5 Years	Failed
March 2000	Income Tax	0.75%	Continuing	Failed
November 2000	Income Tax	0.75%	7 Years	Failed
November 2001	Income Tax	0.75%	7 Years	Passed
November 2007	Earned Income Tax	1.25%	5 Years	Failed
March 2008	Earned Income Tax	1.50%	7 Years	Failed
November 2008	Income Tax	1.25%	5 Years	Failed
May 2009	Earned Income Tax	1.25%	5 Years	Failed
November 2009	Earned Income Tax	1.25%	5 Years	Failed
May 2010	Earned Income Tax	1.25%	5 Years	Passed

Note 13 - Information Related to Periods Beyond the Forecast Period

The School District is required to annually prepare and file a five-year financial plan with the Ohio Department of Education after approval by resolution of the Board of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in May 2010 covered fiscal years 2010 through 2014 and assumes the continued operation of the School District with a small increase in revenues. The plan assumes staff changes for fiscal years 2011 through 2014. At that time, the School District anticipated an accumulated operating deficit of \$1,863,000 by the end of fiscal year 2014. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of October 2010 and will cover fiscal years 2011 through 2015.

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



Mary Taylor, CPA
Auditor of State

LEDGEMONT 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
NOVEMBER 9, 2010**