



**Dave Yost • Auditor of State**

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

**Financial Forecast  
For the Fiscal Year Ending June 30, 2012**

**Local Government Services Section**



Ledgemont Local School District  
Geauga 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, 2009 through 2011 Actual; Fiscal Year Ending June 30, 2012 Forecasted .....	4
Summary of Significant Forecast Assumptions and Accounting Policies .....	5

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# Dave Yost • Auditor of State

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

and

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 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Ledgemont Local School District, Geauga County, Ohio, and issued a report dated February 1, 2012. 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, 2012 of \$1,677,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2013 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 2012.

Each School District receiving certification of an operating deficit under 3316.08, Revised Code, is required to recommend to the Financial Planning and Supervision commission whether a tax levy should be placed on the ballot. After considering the recommendation and supporting documentation, the Commission must adopt a resolution either stating their intent to place a tax levy on the ballot or indicating their decision not to place a tax levy on the ballot at the current time. The forecast excludes any revenue that might be generated from a new tax levy.

DAVE YOST  
Auditor of State

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

Unice S. Smith  
Chief of Local Government Services

March 15, 2012

Local Government Services Section  
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# Dave Yost • 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, 2012. 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 management'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 statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2009, 2010, and 2011 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST  
Auditor of State

February 1, 2012

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Ledgemont Local School District  
 Geauga County  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Years Ended June 30, 2009 Through 2011 Actual;  
 For the Fiscal Year Ending June 30, 2012 Forecasted  
 General Fund

	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual	Fiscal Year 2012 Forecasted
<b>Revenues</b>				
General Property Taxes	\$1,842,000	\$1,886,000	\$1,884,000	\$1,837,000
Tangible Personal Property Taxes	117,000	63,000	29,000	0
Income Tax	657,000	226,000	134,000	612,000
Unrestricted Grants-in-Aid	2,261,000	2,058,000	1,968,000	2,025,000
Restricted Grants-in-Aid	100,000	31,000	32,000	24,000
Restricted Federal Grants-in-Aid - SFSF and Education Jobs	0	140,000	192,000	73,000
Property Tax Allocation	487,000	566,000	593,000	495,000
All Other Revenues	223,000	201,000	187,000	189,000
<i>Total Revenues</i>	<u>5,687,000</u>	<u>5,171,000</u>	<u>5,019,000</u>	<u>5,255,000</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Notes	0	0	200,000	750,000
Solvency Assistance Advance	0	0	2,170,000	0
Transfers In	0	101,000	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>101,000</u>	<u>2,370,000</u>	<u>750,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>5,687,000</u>	<u>5,272,000</u>	<u>7,389,000</u>	<u>6,005,000</u>
<b>Expenditures</b>				
Personal Services	2,843,000	2,611,000	2,569,000	2,505,000
Employees' Retirement/Insurance Benefits	982,000	1,147,000	1,338,000	1,499,000
Purchased Services	1,696,000	1,348,000	2,077,000	1,847,000
Supplies and Materials	135,000	176,000	204,000	186,000
Capital Outlay	0	2,000	236,000	31,000
Debt Service:				
Principal-Tax Anticipation Note	0	0	0	37,000
Principal-Revenue Anticipation Notes	0	0	0	750,000
Solvency Assistance Advance	0	0	0	1,085,000
Interest	0	0	2,000	15,000
Other Objects	176,000	182,000	233,000	216,000
<i>Total Expenditures</i>	<u>5,832,000</u>	<u>5,466,000</u>	<u>6,659,000</u>	<u>8,171,000</u>
<b>Other Financing Uses</b>				
Transfers Out	0	24,000	1,000	0
Advances Out	0	0	0	0
<i>Total Other Financing Uses</i>	<u>0</u>	<u>24,000</u>	<u>1,000</u>	<u>0</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>5,832,000</u>	<u>5,490,000</u>	<u>6,660,000</u>	<u>8,171,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(145,000)	(218,000)	729,000	(2,166,000)
Cash Balance July 1	408,000	263,000	45,000	774,000
Cash Balance (Deficit) June 30	263,000	45,000	774,000	(1,392,000)
<b>Encumbrances</b>				
Actual/Estimated Encumbrances June 30	312,000	1,000	285,000	285,000
Reserves for:				
Budget Stabilization	24,000	0	0	0
Textbooks and Instructional Materials	476,000	409,000	0	0
Capital Improvements	514,000	513,000	280,000	0
Bus Purchase	16,000	16,000	16,000	0
Total Encumbrances and Reserves of Fund Balance	<u>1,342,000</u>	<u>939,000</u>	<u>581,000</u>	<u>285,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(\$1,079,000)</u>	<u>(\$894,000)</u>	<u>\$193,000</u>	<u>(\$1,677,000)</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, 2012

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**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 45 certificated personnel to provide services to approximately 603 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 February 1, 2012, 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 funds and general fund supported debt are included in the general fund.

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

**Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**Fund Accounting**

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which

Ledgemont Local School District  
Geauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

General Fund - The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds - Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other organizations.

**Proprietary Funds**

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

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

**Fiduciary Funds**

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

Ledgemont Local School District  
Geauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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**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 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 fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

**Note 5 - General Operating Assumptions**

The 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**

**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

Ledgemont Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2012

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remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. Property tax revenue received during calendar year 2012 (the collection year) for real and public utility property taxes represents collections of 2011 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

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

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2013 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 2012.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund, the year approved, 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	8.90
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). 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 \$20.04 per \$1,000 of assessed valuation for collection year 2012, and the effective commercial and industrial real property tax rate is \$24.86 per \$1,000 of assessed valuation for collection year 2012.

Ledgemont Local School District  
Geauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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Public utility personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in businesses was taxed in calendar years prior to 2011. No tangible personal property taxes have been levied or collected after calendar year 2010. 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 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 \$47,000 from the prior fiscal year due to a decrease in delinquent collections.

**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 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 became effective on January 1, 2011, which was initially 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 of \$612,000 for fiscal year 2012 is based on the Ohio Department of Taxation's timeline for receiving district income tax payments, the estimated percentages for collections per quarter and the amount certified for fiscal year 2012 by the State of Ohio Tax Commissioner.

**Unrestricted Grants-in-Aid**

In fiscal year 2009, the State's foundation program, established by Chapter 3317 of the Ohio Revised Code, 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 provided to address certain policy issues or to correct flaws in formula aid, were also included in this revenue. The semi-monthly 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 times the School District's taxable property valuation. The per pupil foundation level was set by State Legislature. 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.

The per pupil amounts for fiscal year 2009 is \$5,783 consisting of \$5,732 per pupil foundation level and \$51 of added building blocks.

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 linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions

Ledgemont Local School District  
Geauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2010 and 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

The State Department of Education, Division of School Finance calculated 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 were phased in over a five year period. In addition, school districts were guaranteed 99 and 98 percent, respectively, for 2010 and 2011 of the total amount received from the 2009 fiscal year's State Foundation aid.

In fiscal years 2010 and 2011, approximately six 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 (Restricted Federal Grants-in-Aid) for the Ledgemont Local School District.

Beginning in fiscal year 2012, the administration of Governor John Kasich has proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism is not formulated as of yet, the administration has decided to fund school districts in fiscal year 2012 based on a transitional approach until a new formula is devised. This transitional approach is referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal year 2012 ADM. The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 21 mills of property taxes for fiscal year 2012. In addition to this adjustment, each school district's fiscal year 2012 funding is further adjusted so that the district receives at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding as well as to provide financial incentives for high performing districts. For fiscal year 2012, the Ledgemont Local School District estimates \$2,025,000 in adequacy funding which is an increase of \$57,000 based on the allocation allotted by the Ohio Department of Education.

### **Restricted Grants-in-Aid**

In past fiscal years, restricted grants-in-aid consisted 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 \$8,000 in restricted grants-in-aid monies for career technologies and \$16,000 for catastrophic aid.

### **Restricted Federal Grants-in-Aid**

In fiscal years 2010 and 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. 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. These funds have limited restrictions on their use. Ledgemont Local School District received \$192,000 for fiscal year 2011, which was used for payment of teacher salaries. SFSF has not been reauthorized by the Federal government.

Ledgemont Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2012

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In 2010, Congress passed, and the President has signed, legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds have limited restrictions on their use. The Ledgemont Local School District, based on estimates provided by the Department of Education, anticipates \$73,000 for fiscal year 2012. The School District has chosen to use these funds in fiscal year 2012 for salaries and benefits for teachers.

**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. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

Historically, the State exempted the first \$10,000 in general business personal property from taxation and reimburse the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

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 2012, the School District anticipates receiving \$224,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecasted Fiscal Year 2012	Variance
Homestead and Rollback	\$259,000	\$264,000	\$273,000	\$271,000	(\$2,000)
Tangible Personal Property Loss Reimbursement	228,000	302,000	320,000	224,000	(96,000)
Totals	<u>\$487,000</u>	<u>\$566,000</u>	<u>\$593,000</u>	<u>\$495,000</u>	<u>(\$98,000)</u>

Ledgemont Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2012

**All Other Revenues**

All other revenues include tuition, extracurricular fees, interest, student class fees, sale of capital assets and other revenue.

The increase in open enrollment tuition revenue is due to the increase 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 expected to decrease, due to the School District's bank eliminating interest income on sweep accounts.

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 fiscal year.

All other revenues consist of the following:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecasted Fiscal Year 2012	Variance Increase (Decrease)
Open Enrollment Tuition	\$172,000	\$170,000	\$167,000	\$173,000	\$6,000
Extracurricular Fees	11,000	11,000	11,000	11,000	0
Interest	13,000	2,000	1,000	0	(1,000)
Student Class Fees	14,000	6,000	0	0	0
Sale of Capital Assets	2,000	7,000	2,000	1,000	(1,000)
Other	11,000	5,000	6,000	4,000	(2,000)
Totals	<u>\$223,000</u>	<u>\$201,000</u>	<u>\$187,000</u>	<u>\$189,000</u>	<u>\$2,000</u>

**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 made an interest payment in fiscal year 2011 and began retiring principal over a five year period in fiscal year 2012.

During fiscal year 2012, the School District issued \$750,000 in revenue anticipation notes at 2.50 percent against the receipt of future revenues in compliance with Ohio Revised Code Section 133.10(B). The notes will mature on April 28, 2012.

Solvency Assistance Advance – During fiscal year 2011, the School District received a Solvency Assistance Fund Advance in the amount of \$2,170,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-93-03 of the Ohio Administrative Code. The advance will be repaid over two years from State foundation revenues.

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

**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.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund:				
Certified	43.0	43.8	42.2	41.2
Classified	<u>22.0</u>	<u>22.0</u>	<u>20.0</u>	<u>20.0</u>
Total General Fund	<u>65.0</u>	<u>65.8</u>	<u>62.2</u>	<u>61.2</u>
Other Funds				
Certified	3.0	3.1	3.8	3.8
Classified	<u>7.0</u>	<u>7.1</u>	<u>6.0</u>	<u>6.0</u>
Total Other Funds	<u>10.0</u>	<u>10.2</u>	<u>9.8</u>	<u>9.8</u>
Totals	<u><u>75.0</u></u>	<u><u>76.0</u></u>	<u><u>72.0</u></u>	<u><u>71.0</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, 2009 to August 31, 2013. Certified employees received a one percent base salary increase effective March 1, 2011 and annual step increases for fiscal years 2011 and 2012. The step increases range from 3 percent to 6 percent. The decrease in certified salaries is due to the retirement of an employee and the retirement of the superintendent effective March 30, 2012 offset by step increases and the replacement of one employee at a lower rate. The Geauga County Educational Service Center will be paying for the interim superintendent from April 1, 2012 through June 30, 2012.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2011 to June 30, 2013. Classified employees received a one percent base salary increase and step increases ranging from 1 to 3 percent in fiscal year 2012. Classified salaries are forecasted to decrease due to the reduction of one employee offset by the step increase and the hiring of a part-time employee.

Substitute salaries are forecasted to remain consistent with fiscal year 2011 for both certified and classified staffing.

Supplemental salaries are forecasted to increase due to the increase in the base salary as well as increases to the salary index due to the experience of the employees hired to the supplemental positions.

Ledgemont Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2012

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 decrease due to fewer employees retiring during the forecast period.

Other salaries are forecasted to increase due to board members receiving pay for more meetings during fiscal year 2012.

Presented below is a comparison of salaries and wages for fiscal years 2009, 2010 and 2011 and the forecast period.

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
Certified Salaries	\$2,042,000	\$1,895,000	\$1,856,000	\$1,820,000	(\$36,000)
Classified Salaries	539,000	498,000	508,000	504,000	(4,000)
Substitute Salaries	93,000	83,000	80,000	80,000	0
Supplemental Contracts	110,000	85,000	90,000	94,000	4,000
Severance	38,000	24,000	33,000	3,000	(30,000)
Other Salaries and Wages	21,000	26,000	2,000	4,000	2,000
Totals	<u>\$2,843,000</u>	<u>\$2,611,000</u>	<u>\$2,569,000</u>	<u>\$2,505,000</u>	<u>(\$64,000)</u>

**Employees' Retirement/Insurance Benefits**

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earnings less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for its superintendent and treasurer. The increase that appears on the employee benefits schedule is due to the School District submitting incorrect salary amounts to the retirement systems in the prior fiscal year in an effort to defer STRS and SERS payments to the current fiscal year.

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 and has a total arrearage liability of \$45,500, with annual payments of \$9,100.

Ledgemont Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2012

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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 for health care benefits are as follows:

<b>Coverage:</b>	<u>Effective August 1, 2010</u>	<u>Effective August 1, 2011</u>
Health		
Certified		
Single	\$633.80	\$599.68
Family	1,499.50	1,564.12
Classified		
Single	633.80	599.68
Family	1,514.50	1,579.12
Dental		
Single	28.38	25.85
Family	97.25	89.02
Employee plus Spouse	63.88	58.09
Employee plus Children	63.88	55.86
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 2011, the School District paid the 100 percent of the premium for calendar year 2010. The workers' compensation premium due in 2012 is forecasted to remain consistent with the prior fiscal year.

Medicare and deductible coverage are forecasted to remain consistent with the prior fiscal 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 fiscal year.

Ledgemont Local School District  
Geauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

Presented below is a comparison of fiscal years 2009, 2010, 2011 and the forecast period:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
Employer's Retirement	\$388,000	\$392,000	\$416,000	\$472,000	\$56,000
Health Care/Life Insurance	520,000	673,000	817,000	911,000	94,000
Workers' Compensation	22,000	14,000	17,000	17,000	0
Medicare	12,000	31,000	32,000	32,000	0
Deductible Coverage	32,000	31,000	48,000	61,000	13,000
Other Benefits	8,000	6,000	8,000	6,000	(2,000)
Totals	<u>\$982,000</u>	<u>\$1,147,000</u>	<u>\$1,338,000</u>	<u>\$1,499,000</u>	<u>\$161,000</u>

**Purchased Services**

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

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
Professional and Technical Services	\$396,000	\$161,000	\$726,000	\$550,000	(\$176,000)
Property Services	246,000	230,000	246,000	235,000	(11,000)
Travel and Meeting Expenses	10,000	16,000	10,000	12,000	2,000
Communication Costs	5,000	6,000	3,000	4,000	1,000
Utility Services	174,000	109,000	259,000	151,000	(108,000)
Tuition Payments	793,000	757,000	718,000	790,000	72,000
Pupil Transportation	72,000	69,000	115,000	105,000	(10,000)
Totals	<u>\$1,696,000</u>	<u>\$1,348,000</u>	<u>\$2,077,000</u>	<u>\$1,847,000</u>	<u>(\$230,000)</u>

Professional and technical services and property services decreased from the prior fiscal year due to the School District requiring only essential services for fiscal year 2012. Utility services decreased due to the School District keeping current on their electric bills. During the prior fiscal year, the School District paid electric bills held over from fiscal year 2010. The School District joined the Ohio School Council's Gas Program in an attempt to reduce the cost of natural gas. As part of the program, the School District will pay a fixed rate per month for their gas. Tuition payments increased due to more students attending community schools. Pupil transportation decreased as a result of the School District only paying the state minimum for families that provide their own means of transportation.

Ledgemont Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2012

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**Supplies and Materials**

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

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$67,000	\$57,000	\$63,000	\$57,000	(\$6,000)
Operations, Maintenance and Repair	65,000	109,000	130,000	128,000	(2,000)
Textbooks	3,000	10,000	11,000	1,000	(10,000)
Totals	<u>\$135,000</u>	<u>\$176,000</u>	<u>\$204,000</u>	<u>\$186,000</u>	<u>(\$18,000)</u>

Supplies and materials are anticipated to decrease due to the School District restricting the supplies to be purchased in fiscal year 2012.

**Capital Outlay**

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2012, the School District is forecasting \$31,000 in equipment expenditures, which is less than the prior fiscal year expenditures due to a special education bus purchased as well as a new boiler system installed in fiscal year 2011.

**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 \$37,000 in principal and \$8,000 in interest on these notes during fiscal year 2011. These notes are being repaid with income tax revenues.

During fiscal year 2011, the School District received \$2,170,000 in a solvency assistance advance. The advance is repaid with State foundation monies in fiscal years 2012 and 2013.

During fiscal year 2012, the School District issued \$750,000 in revenue anticipation notes at 2.50 percent. The School District will pay the entire note back during fiscal year 2012. The School District will pay \$7,000 in interest on these notes in fiscal year 2012. These notes will be repaid with future revenues in compliance with Ohio Revised Code Section 133.10(B).

**Other Objects**

Other object expenditures consist of dues, fees, and liability insurance. The forecasted other object expenditures amount is lower than the prior fiscal year primarily due to the School District paying prior year outstanding audit bills during fiscal year 2011. This amount is offset by higher county board expenditures as a result of more School District students being served by the county board.

Ledgemont Local School District  
 Geauga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2012

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**Note 8 - Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended June 30, 2012 are estimated to be \$285,000.

**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.

**Textbooks and Instructional Materials Set-Aside**

In prior fiscal years, the School District was required to set-aside a portion of current year revenue for textbooks and other instructional materials. Effective July 1, 2011, the textbook set-aside no longer exists and has been deleted from law; therefore no reserve amount is forecasted for textbooks and instructional materials.

**Capital Acquisition and Improvements Set-Aside**

Under Section 3315.18(D)(1), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set-aside or make no deposit into the capital set-aside. The Board of Education by resolution has waived the set-aside requirement for fiscal year 2012; therefore no reserve amount is forecasted for capital acquisition and improvements.

**Note 10 - Levies**

The School District has placed several levies on the ballot in the last 10 years. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
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

Ledgemont Local School District  
Geauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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**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 - Financial Planning and Supervision Commission**

On November 9, 2010, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Geauga County Auditor. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

The initial financial recovery plan was adopted on February 7, 2011 and under State law is to be updated annually. The updated recovery plan, adopted on January 20, 2012, includes entering into a cooperative agreement for bus maintenance, non-replacement of a number of employees who have left the School District, reduction in force for one elementary computer teacher, reduction in special education expenses with the Geauga County Educational Service Center, reduction of speech services, and a reduction in the superintendent's salary due to retirement.

**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 October 2011 covered fiscal years 2012 through 2016 and assumes the continued operation of the School District with a small increase in revenues. The plan assumes staff changes for fiscal years 2012 through 2016. At that time, the School District anticipated an accumulated operating deficit of \$3,528,000 by the end of fiscal year 2016. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of May 2012 and will cover fiscal years 2012 through 2016.

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.

Ledgemont Local School District  
Geauga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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# Dave Yost • 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  
MARCH 15, 2012**