



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Ledgemont Local School District
Geauga County

Financial Forecast
For The Fiscal Year Ending June 30, 2001

Ledgemont Local School District
Geauga County

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Ledgemont Local School District
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We have examined the accompanying forecasted schedule 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, 2001. Our examination was made in accordance with 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 the Board of Education and the preparation and presentation of the forecast.

The accompanying forecast was prepared for the purpose of determining whether the Ledgemont Local School District will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code, and should not be used for any other purpose.

In our opinion, the forecasted schedule referred to above is presented in conformity with the 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 its date.

The historical financial statements for the years ended June 30, 1998, 1999 and 2000, (from which the historical data are derived) were audited by the Auditor of State's Office and include unqualified opinions. The report for the fiscal year 1998 was dated December 23, 1998 and the reports for the fiscal years 1999 and 2000 were dated December 12, 2000.

JIM PETRO
Auditor of State

January 28, 2001

LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDING JUNE 30, 2001 FORECASTED
GENERAL FUND

	Fiscal Year 2001 Forecasted
Revenues	
General Property Tax (Real Estate)	\$1,973,000
Tangible Personal Property Tax	254,000
Unrestricted Grants-in-Aid	2,209,000
Restricted Grants-in-Aid	13,000
Property Tax Allocation	248,000
All Other Revenues	308,000
<i>Total Revenues</i>	5,005,000
Expenditures	
Personal Services	2,490,000
Employees' Retirement/Insurance Benefits	730,000
Purchased Services	970,000
Supplies and Materials	177,000
Capital Outlay	77,000
Debt Service:	
Principal-Notes	20,000
Interest and Fiscal Charges	4,000
Other Objects	86,000
<i>Total Expenditures</i>	4,554,000
Other Financing Uses	
Operating Transfers Out	5,000
<i>Total Expenditures and Other Financing Uses</i>	4,559,000
<i>Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</i>	446,000
<i>Cash Balance July 1, 2000</i>	483,000
<i>Cash Balance June 30, 2001</i>	929,000
<i>Estimated Encumbrances June 30, 2001</i>	92,000
Reservations of Fund Balance	
Capital Improvements	88,000
Budget Reserve	23,000
<i>Unencumbered/Unreserved Fund Balance June 30, 2001</i>	\$726,000

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

LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 1998, 1999 AND 2000 ACTUAL;
FISCAL YEAR ENDING JUNE 30, 2001 FORECASTED
GENERAL FUND

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Forecasted
Revenues				
General Property Tax (Real Estate)	\$1,675,000	\$1,900,000	\$1,979,000	\$1,973,000
Tangible Personal Property Tax	173,000	203,000	221,000	254,000
Unrestricted Grants-in-Aid	1,402,000	1,826,000	1,979,000	2,209,000
Restricted Grants-in-Aid	32,000	22,000	13,000	13,000
Property Tax Allocation	200,000	235,000	253,000	248,000
All Other Revenues	162,000	307,000	370,000	308,000
<i>Total Revenues</i>	<u>3,644,000</u>	<u>4,493,000</u>	<u>4,815,000</u>	<u>5,005,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	593,000	0	0	0
Advances In	0	5,000	0	0
<i>Total Other Financing Sources</i>	<u>593,000</u>	<u>5,000</u>	<u>0</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>4,237,000</u>	<u>4,498,000</u>	<u>4,815,000</u>	<u>5,005,000</u>
Expenditures				
Personal Services	2,027,000	2,294,000	2,459,000	2,490,000
Employees' Retirement/Insurance Benefits	666,000	710,000	703,000	730,000
Purchased Services	421,000	851,000	862,000	970,000
Supplies and Materials	126,000	154,000	173,000	177,000
Capital Outlay	4,000	65,000	72,000	77,000
Debt Service:				
Principal-Notes	15,000	15,000	15,000	20,000
Principal-State Loans	401,000	410,000	156,000	0
Principal-Spending Reserve	266,000	93,000	0	0
Interest and Fiscal Charges	38,000	29,000	8,000	4,000
Other Objects	64,000	88,000	80,000	86,000
<i>Total Expenditures</i>	<u>4,028,000</u>	<u>4,709,000</u>	<u>4,528,000</u>	<u>4,554,000</u>
Other Financing Uses				
Operating Transfers Out	3,000	0	0	5,000
All Other Financing Uses	5,000	0	0	0
<i>Total Other Financing Uses</i>	<u>8,000</u>	<u>0</u>	<u>0</u>	<u>5,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>4,036,000</u>	<u>4,709,000</u>	<u>4,528,000</u>	<u>4,559,000</u>
<i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	201,000	(211,000)	287,000	446,000
<i>Cash Balance July 1</i>	206,000	407,000	196,000	483,000
<i>Cash Balance June 30</i>	407,000	196,000	483,000	929,000
<i>Estimated Encumbrances June 30</i>	86,000	79,000	94,000	92,000
Reservations of Fund Balance				
Textbooks and Instructional Materials	0	9,000	0	0
Capital Improvements	0	0	38,000	88,000
Budget Reserve	23,000	23,000	23,000	23,000
Bus Purchases	25,000	1,000	0	0
<i>Unencumbered/Unreserved Fund Balance June 30</i>	<u>\$273,000</u>	<u>\$84,000</u>	<u>\$328,000</u>	<u>\$726,000</u>

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

Ledgemont Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2001

Note 1 - Nature and Limitations 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 January 28, 2001, 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.

The accompanying forecast was prepared for the purpose of determining whether the Ledgemont Local School District (the School District) will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code, and should not be used for any other purpose.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the textbook subsidy fund and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1998, 1999, and 2000. These differences are as follows:

	<u>Fiscal Year 1998</u>	<u>Fiscal Year 1999</u>	<u>Fiscal Year 2000</u>
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$3,604,000	\$4,374,000	\$4,795,000
Textbook Subsidy	9,000	10,000	0
Debt Service Activity Related to General Fund Supported Debt	<u>624,000</u>	<u>114,000</u>	<u>20,000</u>
Total Revenues and Other Sources per Forecast	<u>4,237,000</u>	<u>4,498,000</u>	<u>4,815,000</u>
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	3,498,000	4,669,000	4,498,000
Textbook Subsidy	0	5,000	10,000
Debt Service Activity Related to General Fund Supported Debt	624,000	114,000	20,000
Less Encumbrances	<u>(86,000)</u>	<u>(79,000)</u>	<u>(94,000)</u>
Total Expenditures and Other Uses per Forecast	<u>4,036,000</u>	<u>4,709,000</u>	<u>4,528,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	201,000	(211,000)	287,000
Cash Fund Balance at Beginning of Fiscal Year	<u>206,000</u>	<u>407,000</u>	<u>196,000</u>
Cash Fund Balance at End of Fiscal Year	407,000	196,000	483,000
Less Encumbrances at Fiscal Year End	<u>86,000</u>	<u>79,000</u>	<u>94,000</u>
Unencumbered Fund Balance at Fiscal Year End	<u><u>\$321,000</u></u>	<u><u>\$117,000</u></u>	<u><u>\$389,000</u></u>

Ledgemont Local School District
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements 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 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 are used to account for the proceeds of specific revenue sources (other than expendable trusts or those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - Debt service funds are used to 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 are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Enterprise Funds - Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Ledgemont Local School District
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Fiduciary Funds

Trust and Agency Funds - Trust and agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) Expendable Trust Funds, (b) Non-expendable Trust Funds, and (c) 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 cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 4 - 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 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, and tangible personal property taxes. Advances may be requested from the Geauga County Auditors as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions

Ledgemont Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2001

for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year.

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

Tax Levies	Year Approved	Last year of Collection	Full Tax Rate (Mills)
Operating (including inside millage)	1976 and Prior	Continuing	\$25.40
Operating	1980	Continuing	4.50
Operating	1888	Continuing	7.90
Operating	1992	Continuing	8.90
Emergency	1997	2002	7.80
Total			\$54.50

General Property Tax (Real Estate) - 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 schedules represent gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Geauga County Auditor. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account. Based upon these estimates, the School District anticipates receiving \$1,973,000 in real estate tax revenue, which is a \$6,000 decrease from fiscal year 2000.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business (except for public utilities). The tangible personal property tax revenues are affected by businesses starting and closing, as well as the timing of the receipt of the June property tax settlement. As with general property taxes, tangible personal property tax revenues are based upon information provided by the Geauga County Auditor. Based upon these estimates, the School District anticipates receiving \$254,000 in tangible personal property tax revenue, which is a \$33,000 increase over the amount received in fiscal year 2000.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed and the governor approved legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

Ledgemont Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2001

B. - Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, and vocational education.

In 1998, State law set the base cost per pupil at \$4,063 and increased the rate each year thereafter, based on annual rate of inflation of two and eight-tenths percent, to \$4,177 for fiscal year 2000, and \$4,294 for fiscal year 2001.

The anticipated revenue for fiscal year 2001 is based on current estimates provided by the Ohio Department of Education. The anticipated increase of \$230,000 is caused by increases in the per pupil funding and ADM changes from the prior fiscal year.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consists of a bus purchase allowance of \$13,000 received in October 2000. This is the only form of restricted revenue that the School District expects to receive.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

Property tax allocation revenue, based on information provided by the Geauga County Auditor, is anticipated to decrease \$5,000 from the prior fiscal year.

E. - All Other Revenues

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Interest on Investments	\$49,000	\$37,000	(\$12,000)
Tuition	187,000	146,000	(41,000)
Transportation Fees	61,000	69,000	8,000
Extracurricular Activities	7,000	7,000	0
Classroom Materials and Fees	16,000	16,000	0
Refund of Prior Year Expenditures	9,000	10,000	1,000
Miscellaneous	41,000	23,000	(18,000)
Totals	<u>\$370,000</u>	<u>\$308,000</u>	<u>(\$62,000)</u>

Ledgemont Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2001

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 balance recorded to the general fund. The School District is anticipating interest on investments to decrease by \$12,000 due to the School District having less money for investment purposes throughout the year and lower interest rates.

In comparison to the prior fiscal year, the School District had a decrease of \$41,000 in tuition revenues due to the delay in receiving excess cost from the State.

F. - Advances In

Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The School District does not anticipate any advances in for fiscal year 2001.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified and classified staff, substitutes, termination cost, severance pay, overtime, longevity and board members' compensation. All employees receive their compensation on a bi-weekly basis. Historically, the certified, classified, and administrative staff levels have remained the same.

Certified (teacher) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period of August 1997 to August 2000, and allows base increases of approximately three percent each year. Classified staff salaries are also based on a negotiated contract which includes base and step increases. The contract covers the period from August 1997 to August 2000, and allows for increases of three percent in each year of the contract. Administrative salaries are set by the Board of Education. The School District is currently in negotiations for both the certified and classified contracts.

The School District offers severance pay to its employees of up to one-fourth of the accumulated sick leave to a maximum of 305 days and the unused personal leave upon retirement to be paid at the employee's current per diem rate.

Presented below is a comparison of salaries and wages for the fiscal year 2000 and the forecast period.

	Actual Fiscal Year <u>2000</u>	Forecast Fiscal Year <u>2001</u>	Variance Increase (Decrease)
Certified Salaries	\$1,792,000	\$1,798,000	\$6,000
Classified Salaries	516,000	525,000	9,000
Substitute Salaries	107,000	107,000	0
Severance Pay	4,000	20,000	16,000
Overtime	26,000	26,000	0
Longevity	12,000	12,000	0
Board Members	2,000	2,000	0
Totals	<u>\$2,459,000</u>	<u>\$2,490,000</u>	<u>\$31,000</u>

Ledgemont Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2001

The significant increases are based on the following:

An increase in certified and classified salaries due to step and educational increases that have been included for teachers and classified employees for fiscal year 2001. In addition, eight teachers and four classified employees left the School District, and were replaced with teachers and classified employees with lower salaries.

The \$20,000 severance expenditure has already been posted in fiscal year 2001.

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 for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts and the anticipated number of employees participating in the program. The premiums for single and family coverage are set by contract and renewed annually. The premiums for the forecast period have not changed significantly from the prior year.

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

Workers' compensation premiums are based on the School District's rate and the anticipated salaries for the fiscal year.

Presented below is a comparison of fiscal year 2000 and the forecast period:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Employer's Retirement	\$377,000	\$383,000	\$6,000
Insurance	292,000	295,000	3,000
Workers' Compensation	8,000	25,000	17,000
Medicare	25,000	25,000	0
Tuition Reimbursements	1,000	2,000	1,000
	<u>\$703,000</u>	<u>\$730,000</u>	<u>\$27,000</u>

The significant change is due to an anticipated \$17,000 increase in workers' compensation payments. This is due to the Bureau of Workers' Compensation offering a 75 percent decrease in premiums owed for fiscal year 2000 as well as an increase in the School District's workers' compensation rate

Ledgemont Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2001

C. - Purchased Services

Purchased service expenditures forecasted in the amount of \$970,000 are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Professional and Technical Services	\$122,000	\$194,000	\$72,000
Property Services	94,000	111,000	17,000
Travel and Meeting Expenses	15,000	15,000	0
Communication Costs	20,000	20,000	0
Utility Services	98,000	100,000	2,000
Tuition Payments	477,000	478,000	1,000
Pupil Transportation Costs	36,000	52,000	16,000
	<u>\$862,000</u>	<u>\$970,000</u>	<u>\$108,000</u>

The School District is anticipating a \$108,000 increase in purchased services for fiscal year 2001. A \$72,000 increase in professional and technical services is expected due to excess costs for fiscal year 2000 being billed in fiscal year 2001. An increase of \$17,000 is expected for property services due to new electrical upgrading for the computers in the elementary school. Transportation costs are expected to increase \$16,000 due to the anticipated increase in the number of bus drivers.

D. - Supplies and Materials

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
General Supplies	\$55,000	\$55,000	\$0
Textbooks	11,000	10,000	(1,000)
Supplies and Materials for Operation, Maintenance and Repair	42,000	43,000	1,000
Operations, Maintenance, and Repair	65,000	69,000	4,000
	<u>\$173,000</u>	<u>\$177,000</u>	<u>\$4,000</u>

The \$4,000 increase in materials and supplies expenditures is attributable to the need to replenish bus garage supplies.

E. - Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general government services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$77,000, which represents \$59,000 for new capital outlay and \$18,000 of replacement capital outlay. The majority of the planned expenditures are for the purchase of a new school bus, roof improvements, window replacements and furnace repairs.

Ledgemont Local School District
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

F. - Debt Service

The School District debt service expenditures required for fiscal year 2001 include repayment of an energy conservation (HB 264) note. The energy conservation note payment, with a principal payment of \$20,000 and an interest payment of \$4,000, is made from general fund revenues.

G. - Other Objects

Other objects include dues, fees, liability insurance and county board deductions. The School District is projecting \$86,000 of expenditures in this area in fiscal year 2001. The expenditures are expected to increase by \$6,000 due to an increase in county auditors fees.

H. - Operating Transfers and Advances Out

The School District anticipates a \$5,000 transfer out to the Educational Management Information Systems special revenue fund during fiscal year 2001.

I. - Spending Reserve

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2001 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget. The School District did not include a spending reserve in their current year tax budget.

Note 7 - 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 balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other expenditures for the fiscal year ended June 30, 2000 were \$94,000 and are forecasted at \$92,000 for June 30, 2001.

Note 8 - 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 the future years. The School District is also required to set aside money for budget stabilization.

Ledgemont Local School District
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

A. - Textbooks and Instructional Materials

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The amount carried forward from fiscal year 2000 was (\$162,000). The set aside amount for fiscal year 2001 is \$105,000. Qualifying expenditures in the amount of \$65,000 are anticipated. There is no reserve because of the excess in qualifying expenditures. This amount may be used to reduce the set aside requirement in future fiscal years.

B. - Capital Acquisition and Improvements

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The set aside amount for fiscal year 2001 is \$105,000. Offsets in the amount of \$34,000 and qualifying expenditures in the amount of \$21,000 are anticipated in fiscal year 2001. The amount not spent will be carried forward increasing the capital acquisition and improvements reserve by \$50,000, from \$38,000 to \$88,000 at the end of the fiscal year 2001.

C. - Budget Reserve

The School District is required to establish a budget reserve and set aside one percent of certain revenues each year there is a growth of three percent or more in these revenues. Each year the School District meets the criteria, the required balance in the budget reserve increases by the amount set aside until the five percent limit is reached. Under Section 39 of House Bill 770 and 5705.29(I), Revised Code, school districts are required to credit any refund from the Bureau of Worker's Compensation to the budget reserve. Workers' compensation refunds may reduce the contribution required in the current and/or future periods.

School Districts in fiscal emergency are not required to annually set aside revenues in the budget reserve; however, the School District has recorded refunds in the amount of \$23,000 from the Bureau of Worker's Compensation to the budget reserve.

Senate Bill 345, effective April 10, will eliminate the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in the SB 345, including the offset a budget deficit. The School District does not anticipate expending the existing balance in the budget reserve during the forecast period.

D. - Bus Purchases

The School District anticipates \$13,000 in a bus purchase allowance and will fully expend these resources during fiscal year 2001.

Ledgemont Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2001

Note 9 - Levies

The School District does not plan to place any levies on the ballot during fiscal year 2001. In the past ten years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

Date	Type	Amount	Term	Election Results
May 1995	Operating	18.9 mills	Continuing	Failed
November 1996	Emergency Operating	9.7 mills	5 Years	Failed
February 1997	Emergency Operating	9.1 mills	5 Years	Failed
May 1997	Emergency Operating	7.80 mills	5 Years	Passed
May 1999	Income Tax	.01 mill	Continuing	Failed
November 1999	Income Tax	.5 mill	5 Years	Failed
March 2000	Income Tax	.75 mill	Continuing	Failed
November 2000	Income Tax	.75 mill	5 Years	Failed

Note 10 - Pending Litigation

There are currently no outstanding issues that would be deemed or interpreted as legally threatening at the time of the forecast as verified by the School District's legal counsel.

Note 11 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$1,992,000 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the

Ledgemont Local School District
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of the financial forecast, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operation.



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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, 2001**