Dave Yost • Auditor of State

Ledgemont Local School District
Geauga County, Ohio

Financial Forecast
For the Fiscal Year Ending June 30, 2015

Local Government Services Section

Ledgemont Local School District
Geauga County

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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 11, 2015. 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, 2015 of $978,000.

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 2016 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 is not to appropriate any such advances for fiscal year 2015.

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

Unice S. Smith

Unice S. Smith
Chief of Local Government Services

April 7, 2015

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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, 2015. 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, 2012, 2013, and 2014 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.

Dave Yost

DAVE YOST
Auditor of State

February 11, 2015

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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, 2012 Through 2014 Actual;
For the Fiscal Year Ending June 30, 2015 Forecasted
General Fund

	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Actual	Fiscal Year 2015 Forecasted
Revenues				
General Property Taxes	$1,885,000	$1,902,000	$1,926,000	$1,935,000
Income Tax	603,000	1,028,000	1,109,000	1,100,000
Unrestricted Grants-in-Aid	1,997,000	2,026,000	2,038,000	2,037,000
Restricted Grants-in-Aid	45,000	32,000	64,000	77,000
Restricted Federal Grants-in-Aid - SFSF and Education Jobs	65,000	9,000	0	0
Property Tax Allocation	496,000	401,000	408,000	409,000
All Other Revenues	181,000	348,000	315,000	299,000
Total Revenues	5,272,000	5,746,000	5,860,000	5,857,000
Other Financing Sources				
Proceeds from Sale of Notes	750,000	0	0	0
Solvency Assistance Advance	1,677,000	1,114,000	0	0
Advances In	0	11,000	0	3,000
Total Other Financing Sources	2,427,000	1,125,000	0	3,000
Total Revenues and Other Financing Sources	7,699,000	6,871,000	5,860,000	5,860,000
Expenditures				
Personal Services	2,525,000	2,180,000	1,892,000	1,679,000
Employees' Retirement/Insurance Benefits	1,523,000	1,181,000	986,000	934,000
Purchased Services	1,836,000	1,892,000	2,339,000	2,607,000
Supplies and Materials	192,000	162,000	193,000	190,000
Capital Outlay	37,000	0	0	0
Debt Service:				
Principal-Tax Anticipation Note	0	33,000	40,000	41,000
Principal-Revenue Anticipation Notes	750,000	0	0	0
Solvency Assistance Advance	1,085,000	1,085,000	419,000	419,000
Interest	6,000	5,000	5,000	3,000
Other Objects	181,000	216,000	231,000	147,000
Total Expenditures	8,135,000	6,754,000	6,105,000	6,020,000
Other Financing Uses				
Transfers Out	12,000	23,000	26,000	10,000
Advances Out	11,000	0	0	0
Total Other Financing Uses	23,000	23,000	26,000	10,000
Total Expenditures and Other Financing Uses	8,158,000	6,777,000	6,131,000	6,030,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(459,000)	94,000	(271,000)	(170,000)
Cash Balance July 1	774,000	315,000	409,000	138,000
Cash Balance (Deficit) June 30	315,000	409,000	138,000	(32,000)
Encumbrances				
Actual/Estimated Encumbrances June 30	79,000	7,000	186,000	200,000
Run Off Costs Due to Territory Transfer	0	0	0	746,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	$236,000	$402,000	($48,000)	($978,000)

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

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 one elementary/middle/high school. The School District is staffed by 14 classified and 34 certificated personnel to provide services to approximately 391 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 11, 2015, 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’s state fiscal stabilization fund, the education jobs grant fund and the general fund supported debt is 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 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. 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 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.

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. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Geauga County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

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 2015 (the collection year) for real and public utility property taxes represents collections of 2014 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 2016 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 2015.

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:

Tax Levies	Year Approved	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per $1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	$4.50
Continuing Operating	1976	1977	n/a	25.40
Continuing Operating	1980	1981	n/a	4.50
Continuing Operating	1988	1989	n/a	7.90
Continuing Operating	1992	1993	n/a	8.90
Total Tax Rate				$51.20

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 $20.12 per $1,000 of assessed valuation for collection year 2015, and the effective commercial and industrial real property tax rate is $23.87 per $1,000 of assessed valuation for collection year 2015.

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 certificate of estimated resources. The School District anticipates these to be slightly higher than the amount received in the prior fiscal year collections due to the County estimating an increase in delinquent tax collections during fiscal year 2015.

Income Tax

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 $1,100,000 for fiscal year 2015 is based on the Ohio Department of Taxation's estimate for receiving district income tax payments, the estimated percentages for collections per quarter and the amount certified for fiscal year 2015 by the State of Ohio Tax Commissioner.

Unrestricted Grants-in-Aid

In fiscal year 2011 Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that 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 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 21 mills for 2012 and 2013 and 20 mills for 2014 and thereafter.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism was not formulated as of yet, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula was devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the district received 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.

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continues to use the current fiscal year count taken during the first full week of October. This amount is then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts are guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district will receive an increase greater than 6.25 percent for fiscal year 2014. The School District received $2,012,000 in foundation funding. Based on the most current foundation settlement, the School District estimates $2,012,000 in foundation funding for fiscal year 2015.

Beginning in fiscal year 2013, the School District is receiving additional unrestricted grants-in-aid revenue due to casino revenue. The first three casinos opened in Ohio in calendar year 2012, with one more casino opening in 2013. Of the casino revenue collected by the State, thirty-four percent is distributed to school districts, based on student population. The School District anticipates casino revenue of $25,000, for a total unrestricted grants-in-aid amount of $2,037,000.

Restricted Grants-in-Aid

In past fiscal years, restricted grants-in-aid consisted of career technologies, bus purchase and subsidy, Medicaid school program 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. Medicaid is a supplemental payment to the School District for services provided to students who qualify for the program. For fiscal year 2015, the School District anticipates $34,000 in restricted grants-in-aid monies for career technologies and $43,000 for catastrophic aid.

Restricted Federal Grants-in-Aid

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 was to 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 had limited restrictions on their use. The Ledgemont Local School District, based on estimates provided by the Department of Education, received $9,000 for fiscal year 2013. The School District chose to use these funds in fiscal year 2013 for salaries and benefits for teachers. The Education Jobs grant has not been reauthorized by the Federal Government.

Property Tax Allocation

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the ten percent and the two and one-half percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 has adjusted the Homestead Exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed $30,000. These changes reduce reimbursements from the State and increase real property tax revenue.

From 2005 to 2011, State law phased out taxes levied by school districts on business personal property. The State's original intent was to compensate school districts for resulting tax losses in full until fiscal year 2013, when payments themselves were to begin to be phased out.

House Bill 153 signed in June 2011 accelerated the phase out during the fiscal year 2012-2013 biennium and to pay reimbursements after the biennium at the reduced level paid at the end of fiscal year 2013. The new phase out is scaled according to a school districts reliance on those reimbursements as a percentage of the district's total budget.

In 2012, House Bill 508 went in effect. It provides technical changes to the formula used to calculate fixed rate losses pertaining to business personal property tax expense levies.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecasted Fiscal Year 2015	Variance
Homestead and Rollback	$272,000	$274,000	$281,000	$282,000	$1,000
Tangible Personal Property Loss Reimbursement	224,000	127,000	127,000	127,000	0
Totals	$496,000	$401,000	$408,000	$409,000	$1,000

All Other Revenues

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

The decrease in open enrollment is due to the School District offering all day every day kindergarten offered to all students at no charge as well as the School District having fewer children enrolled. The amount forecasted for fiscal year 2015 is based on the most current foundation settlement for open enrollment tuition.

The School District has a play to participate fee that is charged for extracurricular activities. Although the extracurricular fees are expected to increase over the prior fiscal year due to an increase in the fee, the entire amount will be posted to the athletic fund during fiscal year 2015. Therefore, there is a decrease in extracurricular activities reflected in the table on the succeeding page.

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 not expected to be material for fiscal year 2015.

Beginning in fiscal year 2013, the School District rented some of its classrooms to the Geauga County Educational Service Center and continues to do so during fiscal year 2015. The amount received from the ESC is recorded as a reduction of expenditure and therefore, the rent amount forecasted does not include this amount, nor is it included in the table on the succeeding page.

Other revenues decreased from fiscal year 2014 due to the School District receiving a reimbursement from the Internal Revenue Service in fiscal year 2014 that they do not expect to receive again in fiscal year 2015.

All other revenues consist of the following:

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecasted Fiscal Year 2015	Variance Increase (Decrease)
Open Enrollment Tuition	$164,000	$201,000	$153,000	$151,000	($2,000)
Extracurricular Fees	11,000	37,000	4,000	0	(4,000)
Interest	2,000	1,000	1,000	0	(1,000)
Student Class Fees	0	0	28,000	28,000	0
Rentals	0	20,000	0	0	0
Sale of Capital Assets	0	0	0	3,000	3,000
Other	4,000	89,000	129,000	117,000	(12,000)
Totals	$181,000	$348,000	$315,000	$299,000	($16,000)

<u>Other Financing Sources</u>

<u>Proceeds from Sale of Notes</u> – 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 matured on April 28, 2012.

<u>Solvency Assistance Advance</u> – During fiscal years 2012 and 2013, the School District received Solvency Assistance Fund Advances in the amounts of $1,677,000 and $1,114,000, respectively, 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 advances for $1,677,000 and $1,114,000 will be repaid over four and five years, respectively, from State foundation revenues. The repayment for the $1,677,000 advance began in fiscal year 2014. The repayment for the $1,114,000 advance will begin in fiscal year 2016.

<u>Advances In</u> – During fiscal year 2012, advances were made for a total of $11,000 to other funds. For fiscal year 2013, those advances were repaid. The School District anticipates a $3,000 advance in during fiscal year 2015 to repay an advance initially made in fiscal year 2008.

<u>Note 7 – Significant Assumptions for Expenditures and Other Financing Uses</u>

<u>Personal Services</u>

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.

	2012	2013	2014	2015
General Fund:				
Certified	41.2	31.0	31.0	28.6
Classified	22.0	20.0	14.0	10.3
Total General Fund	63.2	51.0	45.0	38.9
Other Funds:				
Certified	3.8	4.0	5.0	4.9
Classified	4.0	4.0	4.0	3.7
Total Other Funds	7.8	8.0	9.0	8.6
Totals	71.0	59.0	54.0	47.5

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, 2014 to August 31, 2015. Certified employees received a step increase for fiscal year 2015 at the beginning of the fiscal year. No further increases will occur in the fiscal year. The step increases range from 3 percent to 6 percent. The forecasted salaries for fiscal year 2015 include this step increase. The decrease in certified salaries is due to the elimination of certified staff positions, shifting a portion of two employees' salary to grant and athletic funds, and being able to replace the retirees from fiscal year 2014 with younger, lesser experienced employees in fiscal year 2015.

Classified salaries are based on a negotiated contract which includes step increases. The contract for classified staff expires on June 30, 2015. The forecasted salaries for fiscal year 2015 include an average of one percent step increase. Classified salaries are forecasted to decrease due to the reduction of a custodian from consolidating school buildings and being able to shift a portion of custodial salaries to other funds.

Substitute salaries are forecasted to decrease from fiscal year 2014 for both certified and classified staffing, as the School District is carefully monitoring any additional expenditures.

Supplemental salaries are forecasted to increase due to higher expected participation in extracurricular activities. Some positions were not filled in fiscal year 2014 due to low participation; however, the School District is paying all supplemental salaries related to athletics out of its athletic funds during fiscal year 2015 as it did in the prior fiscal year.

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 expected retirements in fiscal year 2015.

Other salaries are forecasted to remain consistent with fiscal year 2014.

Presented below is a comparison of salaries and wages for fiscal years 2012, 2013 and 2014 and the forecast period.

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
Certified Salaries	$1,816,000	$1,462,000	$1,364,000	$1,227,000	($137,000)
Classified Salaries	514,000	482,000	404,000	349,000	(55,000)
Substitute Salaries	85,000	90,000	58,000	42,000	(16,000)
Supplemental Contracts	92,000	82,000	19,000	25,000	6,000
Severance	9,000	57,000	44,000	33,000	(11,000)
Other Salaries and Wages	9,000	7,000	3,000	3,000	0
Totals	$2,525,000	$2,180,000	$1,892,000	$1,679,000	($213,000)

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 overestimated fiscal year 2014 salaries for the STRS retirement system.

While certified wages are forecasted to decrease from the prior fiscal year, STRS expenditures are anticipated to increase due to funding shortages in fiscal year 2014. These shortages were caught up in fiscal year 2015.

SERS expenditures are anticipated to decrease due to lower SERS wages earned overall and due to the School District not having to make funding shortage payments on behalf of the prior fiscal year as it had to in fiscal year 2014.

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 was for school districts to pay the six month arrearage by June 30, 2010, to become current. Option two was for SERS to spread the six month arrearage amount over the next six years adding to the current payment. Ledgemont Local School District chose option two and had a total arrearage liability of $45,500, with annual payments of $9,100. In addition to the arrearage liability, the School District pays the employee retirement contributions for its treasurer and is also responsible for paying the surcharge for employees who serve the School District through Community Bus, Incorporated, which the School District contracts with to provide transportation services.

Health care, vision and dental insurance rates are fixed by the Board of Education on a yearly basis, from October to September.

The monthly payments for health care benefits are as follows:

Coverage:	Effective October 1, 2013	Effective October 1, 2014
Health:		
PPO #1:		
Single	$613.37	$471.80
Family	1,686.77	1,202.98
PPO #2:		
Single	613.37	531.86
Family	1,686.77	1,356.08
PPO #2:		
Single	613.37	591.60
Family	1,686.77	1,508.42
Dental:		
Single	27.37	28.65
Family	95.91	98.10
Employee plus Spouse	60.06	64.48
Employee plus Children	57.53	61.25
Vision:		
Single	6.46	6.67
Family	14.50	14.98

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 decrease in health care/dental/life insurance is due to the reduction of employees and switching to the Lake County Schools Council Health Benefits Consortium, which helped to lower the School District's 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 2012, the School District paid the 45 percent of the premium for calendar year 2011 in May. In fiscal year 2013, the School District paid the remaining 55 percent of the premium for calendar year 2011 and 100 percent of the premium for calendar year 2012. In fiscal year 2014, the School District paid 45 percent of the premium for calendar year 2013. It is anticipated that the School District will pay the 55 percent from calendar year 2013 and 45 percent of calendar year 2014, thus increasing workers' compensation expenditures over the prior fiscal year.

While overall salaries are forecasted to decrease from the prior fiscal year, Medicare is forecasted to increase from the prior fiscal year due to reductions that were applied to this expenditure in fiscal year 2014.

Deductible coverage is forecasted to decrease from the prior fiscal year. In prior years, employees were responsible for a healthcare deductible of $100 for single and $200 for family coverage per the old negotiated contracts. The School District used Vantage Financial Group, a third party administrator, to track the claims paid until the deductible had been reached, at which point the School District was liable for any additional costs. At the beginning of fiscal year 2015, the School District no longer offered coverage through Vantage Financial Group and switched to a flexible spending account program with American Fidelity Assurance Company. The main benefit of the flexible spending account is that it allows the School District to protect itself by setting a maximum limit per employee through contributions made to their flexible spending account. The amount of contribution is defined by each employees selected health plan.

Other benefits are forecasted to increase due to the possibility of higher unemployment claims.

Presented below is a comparison of fiscal years 2012, 2013, 2014 and the forecast period:

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
Employer's Retirement	$431,000	$377,000	$330,000	$327,000	($3,000)
Health Care/Life Insurance	967,000	683,000	572,000	520,000	(52,000)
Workers' Compensation	11,000	25,000	9,000	16,000	7,000
Medicare	32,000	30,000	20,000	24,000	4,000
Deductible Coverage	76,000	53,000	45,000	31,000	(14,000)
Other Benefits	6,000	13,000	10,000	16,000	6,000
Totals	$1,523,000	$1,181,000	$986,000	$934,000	($52,000)

Purchased Services

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

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
Professional and Technical Services	$492,000	$819,000	$718,000	$806,000	$88,000
Property Services	186,000	103,000	47,000	56,000	9,000
Travel and Meeting Expenses	16,000	17,000	9,000	13,000	4,000
Communication Costs	7,000	4,000	2,000	4,000	2,000
Utility Services	153,000	143,000	137,000	121,000	(16,000)
Tuition Payments	827,000	677,000	1,058,000	1,170,000	112,000
Pupil Transportation	155,000	129,000	368,000	437,000	69,000
Totals	$1,836,000	$1,892,000	$2,339,000	$2,607,000	$268,000

Professional and technical services decreased in fiscal year 2014 due to the School District allotting less funding for on-site technology services, psychology services and legal fees. These services being increased in fiscal year 2015 to allocate for shared technology services with Riverside Local School District. Property services are forecast to increase from the prior fiscal year due to an increase in the liability insurance the School District has paid for fiscal year 2015, in addition to anticipated increases in trash collections. Travel and meeting expenses and communication costs will remain consistent with the prior fiscal year amounts. Utility services are anticipated to decrease due to a decrease in the cost of gas as well as the closing of the high school. The high school will only be open for sporting events. Tuition payments are forecasted to increase due to more students leaving the School District for open enrollment into nearby schools. Pupil transportation is anticipated to increase as a result of the School District outsourcing all bussing in an attempt to reduce overall related costs. This company will also be used to provide special education transportation for the School District's students at a reduced cost.

Supplies and Materials

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

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	$52,000	$25,000	$42,000	$43,000	$1,000
Operations, Maintenance and Repair	139,000	137,000	149,000	145,000	(4,000)
Textbooks	1,000	0	2,000	2,000	0
Totals	$192,000	$162,000	$193,000	$190,000	($3,000)

Supplies and materials are anticipated to decrease during fiscal year 2015. General supplies, library books and periodicals are expected increase slightly from the prior fiscal year. Operations, maintenance and repairs are expected to decrease due to the School District making necessary repairs and maintenance in fiscal years 2012, 2013 and 2014 that are not expected to reoccur in fiscal year 2015. Textbooks expenditures are anticipated to remain the same in fiscal year 2015.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2015, the School District is not forecasting any capital outlay.

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 paid $45,000 in principal and interest on this loan during fiscal year 2012 out of a balance in its debt service fund that remained after prior debt was paid in full. The School District paid $33,000 in principal and $5,000 in interest on these notes during fiscal year 2013 since there was no balance remaining in the debt service fund. The School District paid $40,000 in principal and $5,000 in interest on the notes during fiscal year 2014. The School District will pay $41,000 in principal and $3,000 in interest on these notes during fiscal year 2015. 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 was repaid with State foundation monies in the amount of $1,085,000 in fiscal years 2012 and 2013.

During fiscal year 2012, the School District received $1,677,000 in a solvency assistance advance. The advance will be repaid with State foundation monies in fiscal years 2014 through 2017. The amount to be paid in fiscal year 2015 is $419,000.

During fiscal year 2013, the School District received $1,114,000 in a solvency assistance advance. The advance will be repaid with State foundation monies in fiscal years 2016 through 2019.

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 lower amounts of dues and fees expenditures.

Operating Transfers Out

For fiscal year 2015, $5,000 in transfers are anticipated to be made to the district managed activities fund and $5,000 in transfers are anticipated to be made to the food service fund to cover operating costs.

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, 2015 are estimated to be $200,000 to consistent with fiscal year 2014.

Note 9 – Capital Acquisition and Improvements Set-Aside

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for 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.

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 2015; 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 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
November 2012	Operating	3.4 mills	5 Years	Failed
May 2013	Operating	14.7 mills	5 Years	Failed
November 2014	Earned Income Tax	1.25%	Continuing	Passed
November 2014	Operating	4.49 mills	5 Years	Failed

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 most current updated recovery plan, adopted was on October 25, 2013. This plan included 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 and a reduction of speech services. As of the date of this forecast, these changes have all been made.

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 2014 covered fiscal years 2015 through 2019 and assumes the continued operation of the School District with a large decrease in revenues. The plan assumes staff changes for fiscal years 2015 through 2019. At that time, the School District anticipated an accumulated operating deficit of $5,000,000 by the end of fiscal year 2019.

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.

Note 14 – Run-Off Costs Associated with Territory Transfer of School District

As of the date of this forecast, the Boards of Education of the Ledgemont Local School District and the Berkshire Local School District voted in favor of a territory transfer of the Ledgemont Local School District to the Berkshire Local School District. The Geauga County Educational Service Center had its first vote in favor of this as well. As a result, there are liabilities owed by Ledgemont Local School District associated with fiscal year 2015 that are not scheduled to be paid until after June 30, 2015, the date of the territory transfer. The forecasted amount of these liabilities is $746,000 and has been included in this forecast as “Run Off Costs Due to Territory Transfer”. The liabilities above are comprised of $595,000 in salaries and benefits earned by employees during fiscal year 2015 but will not be paid until July and August 2015. In addition, Ledgemont Local School District has contractual obligations in the amount of $151,000 that were fulfilled during fiscal year 2015 but the payment for these liabilities will not be paid until fiscal year 2016.

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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
APRIL 7, 2015