



**Auditor of State
Betty Montgomery**

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Ledgemont Local School District
Geauga County
16200 Burrows Road
Thompson, Ohio 44086

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ledgemont Local School District, Geauga County, Ohio, (the District) as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Ledgemont Local School District, Geauga County, Ohio, as of June 30, 2005 and June 30, 2004, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented GASB Statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 17, 2006

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of Ledgemont Local School District's financial performance is presented by the School District's Treasurer and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 include:

- Income tax collections continue to be below the State of Ohio Department of Taxation's estimates by approximately 6.6 percent. An audit performed by the State of Ohio Department of Taxation has revealed 31 percent of residents required to file a school district tax return have failed to do so. It is not clear at this time exactly how much revenue will be generated from the payment of back taxes but it is estimated to be approximately \$405,000. Additional audits are being performed to identify delinquencies and the collection of delinquent taxes is being pursued.
- Total net assets decreased by a mere \$21,366. This represents a 0.72 percent decrease over fiscal year 2004.
- Total revenues of \$6,159,021 were comprised of general revenues in the amount of \$5,302,954 or 86.1 percent and program specific revenues from charges for services, grants and contributions in the amount of \$856,067 or 13.9 percent.
- Total assets decreased by \$364,812. Capital assets, net of depreciation decreased by \$27,111. This is the net effect of capital outlay expenditures of \$116,769 and depreciation of \$143,880. Current and other assets decreased by \$337,701. This decrease was caused by reductions in other revenue and state funding due to decreased enrollment. Coupled with the aforementioned decrease were increased expenses reducing cash and cash equivalents.
- There was a decrease of \$18,751 in the general fund balance from fiscal year end 2004. This report will analyze various factors contributing to the decrease.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the Ledgemont Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Ledgemont Local School District, the general fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

This analysis of the School District encompasses all of the School District's funds used to provide programs and activities and presents them as a whole. This view of the School District as a whole looks at all financial transactions and answers the questions, "What were the fiscal changes throughout the year" and "What was the net effect of those changes?". The Statement of Net Assets and the Statement of Activities provide the basis for answering these questions. The statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and any changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some strictly within the scope of the School District, some not. External factors include the School District's property tax base, income tax collections, community demographics, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food services.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, the fund financial statements focus on the School District's most significant funds.

Governmental Funds - The School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* are reconciled in the financial statements of the *Governmental Funds*.

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$3,435,900	\$3,773,601
Capital Assets, Net	1,731,064	1,758,175
<i>Total Assets</i>	5,166,964	5,531,776
Liabilities		
Current and Other Liabilities	1,878,061	2,128,183
Long-Term Liabilities:		
Due Within One Year	77,852	159,135
Due in More than One Year	275,518	287,559
<i>Total Liabilities</i>	2,231,431	2,574,877
Net Assets		
Invested in Capital Assets, Net of Debt	1,676,064	1,648,175
Restricted:		
Capital Projects	13,680	1,800
Debt Service	124,097	190,557
Set Asides	308,152	268,842
Other Purposes	202,694	264,461
Unrestricted	610,846	583,064
Total Net Assets	\$2,935,533	\$2,956,899

Total assets decreased by \$364,812. Capital assets net of depreciation decreased by \$27,111. This is the net effect of capital outlay expenditures of \$116,769 and depreciation of \$143,880. Current and other assets decreased by \$337,701. This decrease was caused by reductions in other revenue and reductions in State funding due to decreased enrollment. Coupled with the aforementioned decrease were increased expenses reducing cash and cash equivalents.

Current liabilities in governmental activities decreased by \$250,122 due to a decrease in deferred revenue in the general fund. Long-term liabilities decreased by \$93,324 due in part to the paying down of the long-term debt.

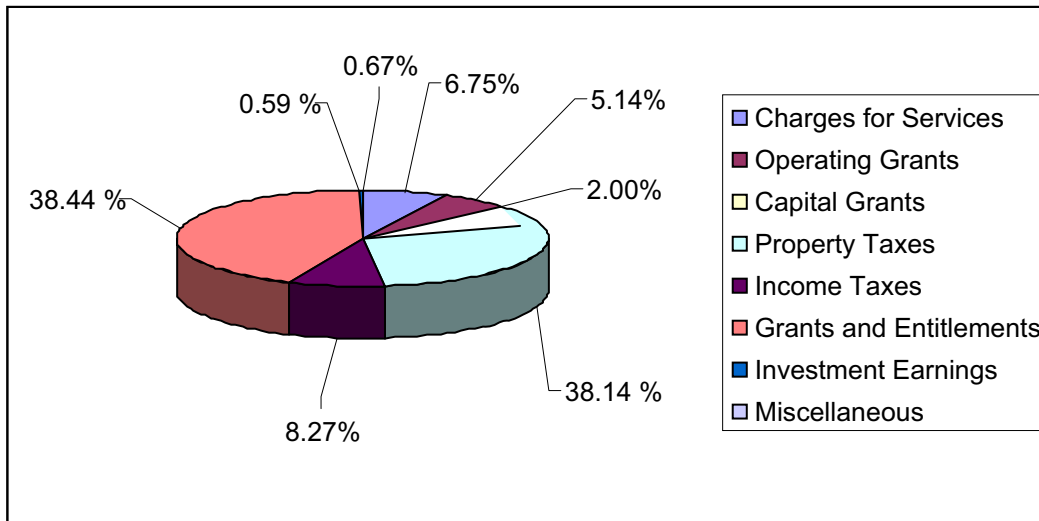
Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2 shows the net assets for fiscal year 2005. Total revenue increased by \$328,017 or a total of 5.63 percent. Total expenses increased \$374,877 or a total of 6.46 percent. Total expenses exceeded total revenue by \$21,366 which is reflected in net assets at the end of the year.

(Table 2)
Change in Net Assets - Governmental Funds

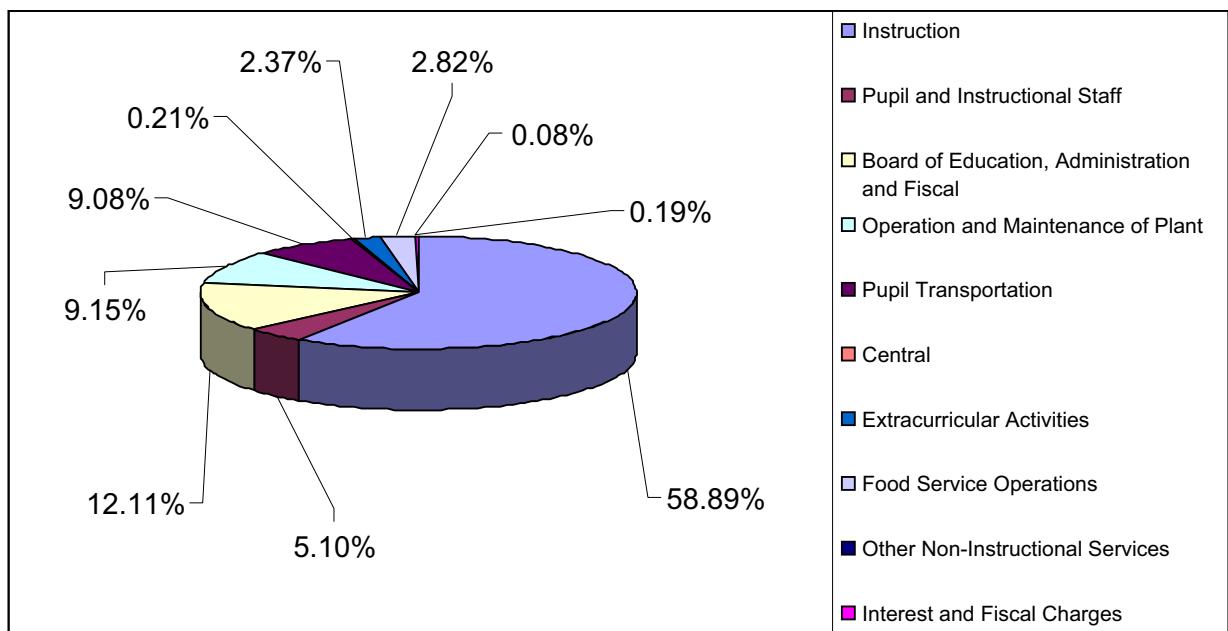
	<u>2005</u>	<u>2004</u>
Revenues		
<i>Program Revenues</i>		
Charges for Services and Sales	\$416,125	\$437,412
Operating Grants and Contributions	316,357	336,860
Capital Grants and Contributions	123,585	9,152
<i>Total Program Revenues</i>	<u>856,067</u>	<u>783,424</u>
<i>General Revenues</i>		
Property Taxes	2,349,174	2,014,113
Income Taxes	509,297	495,625
Grants and Entitlements not Restricted to Specific Programs	2,367,295	2,519,190
Investment Earnings	36,047	17,807
Miscellaneous	41,141	845
<i>Total General Revenues</i>	<u>5,302,954</u>	<u>5,047,580</u>
<i>Total Revenues</i>	<u>6,159,021</u>	<u>5,831,004</u>
Program Expenses		
Instruction:		
Regular	2,638,370	2,526,685
Special	870,109	777,911
Vocational	131,279	135,588
Support Services:		
Pupil	87,613	88,479
Instructional Staff	227,645	157,553
Board of Education	26,306	26,460
Administration	527,479	573,693
Fiscal	194,873	227,136
Operation and Maintenance of Plant	565,760	558,328
Pupil Transportation	560,977	443,223
Central	12,765	10,269
Extracurricular Activities	146,143	111,851
Operation of Non-Instructional Services:		
Food Service Operations	174,462	150,703
Other Non-Instructional Services	5,146	126
Interest and Fiscal Charges	11,460	17,505
<i>Total Program Expenses</i>	<u>6,180,387</u>	<u>5,805,510</u>
<i>Increase (Decrease) in Net Assets</i>	(21,366)	25,494
<i>Net Assets Beginning of Year</i>	<u>2,956,899</u>	<u>2,931,405</u>
<i>Net Assets End of Year</i>	<u>\$2,935,533</u>	<u>\$2,956,899</u>

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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REVENUES

The main sources of revenue for the School District are the State of Ohio foundation payment, grants, the local share in the form of property taxes, the School District's income tax, fees charged to students for special programs and tuition received from other school districts to educate their students through open enrollment. The State of Ohio provided 38 percent of the revenue received by the School District in 2005. The local share was 46 percent with 38 percent being generated from property tax payments made to the County Treasurer and 8 percent from the School District's income tax received and disbursed from the State of Ohio Department of Taxation.



EXPENDITURES

Ledgemont Local School District
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Unaudited

The School District was responsible for providing educational services for 711 eligible community members. Regular education expenses encompassed 72.5 percent of all instructional expenses. Special instruction costs equaled 23.9 percent of total instructional expenses. Special education students made up 13 percent of the entire student population. Vocational education programs such as living skills and occupational work programs made up 3.6 percent of the instructional expenses and are offered to the entire student population.

Total expenses are made up by two main areas instructional and support services. Support Services is then broken down into many subsections. Instructional costs made up 58.9 percent of all expenses. Support services were 35.6 percent of expenses and provide services such as busing, building and grounds maintenance, administration, board of education, fiscal and other. Food services and extracurricular accounted for 5.2 percent of the expenses. These two programs generate revenue through sales and fees.

Governmental Activities

The School District carefully plans its financial future by projecting its revenue and expenses and presents them on a five year forecast. The five year forecast changes continually and is presented to and approved by the Board of Education at least twice a year. In November of 2001, the School District successfully passed a .75 percent income tax levy that was estimated to grow with inflation. It is currently not generating the \$545,000 the State of Ohio Department of Taxation estimated collections should be. Audits have revealed 31 percent of residents are not filing School District income tax forms with the State of Ohio. Collections of back taxes are being pursued. Estimates and audits are based on the State income tax filings.

Although the School District relies heavily upon local property and income taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2005.

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(Table 3)
Total and Net Cost of Program Services
Governmental Activities

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$3,639,758	\$3,329,475	\$3,440,184	\$3,073,715
Support Services:				
Pupil and Instructional Staff	315,258	220,689	246,032	224,600
Board of Education, Administration, and Fiscal	748,658	678,286	827,289	711,470
Operation and Maintenance of Plant	565,760	544,340	558,328	532,126
Pupil Transportation	560,977	424,882	443,223	415,086
Central	12,765	7,765	10,269	5,269
Extracurricular Activities	146,143	106,102	111,851	62,994
Operation of Non-Instructional Services:				
Food Service Operations	174,462	1,190	150,703	(14,057)
Other Non-Instructional Services	5,146	131	126	(6,622)
Interest and Fiscal Charges	11,460	11,460	17,505	17,505
<i>Total Expenses</i>	<u>\$6,180,387</u>	<u>\$5,324,320</u>	<u>\$5,805,510</u>	<u>\$5,022,086</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,151,239 and expenditures of \$6,302,030.

The net change on fund balance for the year was most significant in the general fund. In fiscal year 2005, the net change in fund balance in the general fund was a decrease of \$18,751. This change was from an increase in regular instruction and pupil transportation expenditures of \$202,210 and \$234,242, respectively. The regular instruction increase was due to an increase in salaries from hiring additional staff and a decrease in staff retirements. Transportation expenditures increased due to the purchase of additional buses and substantially increased fuel costs.

Other governmental funds show a decrease in fund balance of \$132,040. In fiscal year 2005, the net change in fund balance for the bond retirement debt service fund was a decrease of \$66,550. This change was the result of reducing the School District's overall debt liability. Special revenue funds as a whole showed a decrease in fund balance of \$77,370 from an overall decrease in grant revenues.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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During the course of fiscal 2005, the School District amended its general fund budget numerous times. Many of the amendments are due to changes in expenditure priorities at the building levels. For the general fund, the actual revenue was \$5,221,150 representing a \$174,365 decrease from the original budget estimates of \$5,395,515. Most of this difference was due to reduced state funding, additional adjustments to state foundation funding and grants and reduced income tax collections offset by conservative real estate tax estimates. The School District's general fund balance at end of year was \$604,563 reflecting additional funds budgeted but not expended or encumbered.

The School District revises its budget throughout the fiscal year. During fiscal year 2005, the significant change in expenditures was in the area of regular instruction. This change was due to conservative initial estimates. The School District continues to control the budget at the fund, function and object level.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005 the School District had \$1,731,064 invested in land, land improvements buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004. More detailed information is presented in Note 10 of the notes to the basic financial statements.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2005	2004
Land	\$119,100	\$119,100
Land Improvements	108,220	115,631
Buildings and Improvements	1,308,801	1,411,547
Furniture and Equipment	17,429	15,189
Vehicles	175,025	88,825
Textbooks	2,489	7,883
Totals	\$1,731,064	\$1,758,175

All capital assets, except land are reported net of depreciation. The net decrease in capital assets during the fiscal year resulted due to the net effect of capital outlay expenditures of \$116,769 and depreciation of \$143,880. The increase in the vehicles was due to the School District purchasing two buses.

Debt

At June 30, 2005 the School District had \$55,000 in bonds outstanding. Table 5 summarizes long-term obligations outstanding. More detailed information is presented in Note 15 of the notes to the basic financial statements.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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(Table 5)
Outstanding Long-Term Obligations

	Governmental Activities	
	2005	2004
Classroom Facilities Bond	\$55,000	\$110,000
Compensated Absences	298,370	336,694
Totals	\$353,370	\$446,694

In 1980 the voters approved a bond issue providing \$1.3 million for the construction of a new elementary/middle school. The School District stopped collecting taxes for the bond from the residents early due to sufficient revenues received to pay off the bond. The bond will be paid in its entirety in fiscal year 2006.

Challenges and Opportunities for the Future

The School District will continue to provide the best education it can to the community's most important asset. It will be a responsible and conservative custodian of the public's monies. With no additional levies pending, the School District will continue to work within the confines of the budget it has set forth. Working in conjunction with the State of Ohio Department of Taxation the School District will vigorously pursue the collection of back taxes owed from the School District's income tax.

The Ledgemont Local School District has committed itself to financial reporting excellence. Ledgemont continues its commitment to continuous improvement in financial reporting to our community.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Leanne Ashby-Sidley, Treasurer at Ledgemont Local School District, 16200 Burrows Rd. Thompson, Oh. 44086, or le_sidley@lgca.org.

Basic Financial Statements

Ledgemont Local School District

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,123,882
Intergovernmental Receivable	29,076
Inventory Held for Resale	4,514
Materials and Supplies Inventory	24,784
Property Taxes Receivable	2,010,801
Municipal Income Taxes Receivable	242,843
Nondepreciable Capital Assets	119,100
Depreciable Capital Assets	<u>1,611,964</u>
<i>Total Assets</i>	<u>5,166,964</u>
Liabilities	
Accrued Wages	405,795
Intergovernmental Payable	171,734
Accrued Interest Payable	90
Matured Compensated Absences Payable	49,472
Deferred Revenue	1,250,970
Long-Term Liabilities:	
Due Within One Year	77,852
Due in More Than One Year	<u>275,518</u>
<i>Total Liabilities</i>	<u>2,231,431</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,676,064
Restricted for:	
Capital Projects	13,680
Debt Service	124,097
Set Asides	308,152
Other Purposes	202,694
Unrestricted	<u>610,846</u>
<i>Total Net Assets</i>	<u><u>\$2,935,533</u></u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues			Net Expense and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$2,638,370	\$152,242	\$56,586	\$11,880	(\$2,417,662)
Special	870,109	31,952	52,653	0	(785,504)
Vocational	131,279	4,970	0	0	(126,309)
Support Services:					
Pupil	87,613	3,262	27	0	(84,324)
Instructional Staff	227,645	3,954	87,326	0	(136,365)
Board of Education	26,306	996	0	0	(25,310)
Administration	527,479	17,569	44,429	0	(465,481)
Fiscal	194,873	7,378	0	0	(187,495)
Operation and Maintenance of Plant	565,760	21,420	0	0	(544,340)
Pupil Transportation	560,977	24,390	0	111,705	(424,882)
Central	12,765	0	5,000	0	(7,765)
Extracurricular Activities	146,143	39,901	140	0	(106,102)
Operation of Non-Instructional Services:					
Food Service Operations	174,462	103,291	69,981	0	(1,190)
Other Non-Instructional Services	5,146	4,800	215	0	(131)
Interest and Fiscal Charges	11,460	0	0	0	(11,460)
<i>Total Governmental Activities</i>	<u>\$6,180,387</u>	<u>\$416,125</u>	<u>\$316,357</u>	<u>\$123,585</u>	<u>(5,324,320)</u>
General Revenues					
Property Taxes Levied for General Purposes					2,349,174
Income Taxes Levied for General Purposes					509,297
Grants and Entitlements not Restricted to Specific Programs					2,367,295
Investment Earnings					36,047
Miscellaneous					41,141
<i>Total General Revenues</i>					<u>5,302,954</u>
Change in Net Assets					(21,366)
<i>Net Assets Beginning of Year</i>					<u>2,956,899</u>
<i>Net Assets End of Year</i>					<u>\$2,935,533</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District

Balance Sheet

Governmental Funds

June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$478,619	\$337,111	\$815,730
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	308,152	0	308,152
Accounts Receivable	8	0	8
Intergovernmental Receivable	0	29,076	29,076
Interfund Receivable	10,268	0	10,268
Inventory Held for Resale	0	4,514	4,514
Materials and Supplies Inventory	23,946	838	24,784
Property Taxes Receivable	2,010,801	0	2,010,801
Municipal Income Taxes Receivable	242,835	0	242,835
<i>Total Assets</i>	<u>\$3,074,629</u>	<u>\$371,539</u>	<u>\$3,446,168</u>
Liabilities and Fund Balances			
Liabilities			
Accrued Wages	\$397,631	\$8,164	\$405,795
Interfund Payable	0	10,268	10,268
Intergovernmental Payable	160,941	10,793	171,734
Matured Compensated Absences Payable	49,472	0	49,472
Deferred Revenue	1,339,137	0	1,339,137
<i>Total Liabilities</i>	<u>1,947,181</u>	<u>29,225</u>	<u>1,976,406</u>
Fund Balances			
Reserved for Encumbrances	182,204	2,335	184,539
Reserved for Property Taxes	671,664	0	671,664
Reserved for Textbooks	132,248	0	132,248
Reserved for Capital Improvements	152,120	0	152,120
Reserved for Budget Stabilization	23,784	0	23,784
Unreserved:			
Undesignated, Reported in:			
General Fund (Deficit)	(34,572)	0	(34,572)
Special Revenue Funds	0	202,112	202,112
Debt Service Fund	0	124,187	124,187
Capital Projects Funds	0	13,680	13,680
<i>Total Fund Balances</i>	<u>1,127,448</u>	<u>342,314</u>	<u>1,469,762</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,074,629</u>	<u>\$371,539</u>	<u>\$3,446,168</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total Governmental Fund Balances	\$1,469,762
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,731,064
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes.	88,167
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(90)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences (298,370)	
General Obligation Bonds <u>(55,000)</u>	
Total	<u>(353,370)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$2,935,533</u></u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$2,341,392	\$0	\$2,341,392
Municipal Income Taxes	509,297	0	509,297
Intergovernmental	2,479,000	305,391	2,784,391
Interest	35,415	632	36,047
Tuition and Fees	197,158	0	197,158
Extracurricular Activities	11,333	81,523	92,856
Contributions and Donations	9,637	13,209	22,846
Charges for Services	0	124,011	124,011
Rentals	2,100	0	2,100
Miscellaneous	41,141	0	41,141
<i>Total Revenues</i>	<u>5,626,473</u>	<u>524,766</u>	<u>6,151,239</u>
Expenditures			
Current:			
Instruction:			
Regular	2,435,085	122,177	2,557,262
Special	834,811	39,405	874,216
Vocational	130,513	0	130,513
Support Services:			
Pupil	86,074	1,459	87,533
Instructional Staff	108,693	121,612	230,305
Board of Education	26,306	0	26,306
Administration	489,143	63,454	552,597
Fiscal	201,020	0	201,020
Operation and Maintenance of Plant	574,156	0	574,156
Pupil Transportation	660,514	0	660,514
Central	0	13,169	13,169
Extracurricular Activities	93,909	49,105	143,014
Operation of Non-Instructional Services:			
Food Service Operations	0	179,729	179,729
Other Non-Instructional Services	0	5,146	5,146
Debt Service:			
Principal Retirement	0	55,000	55,000
Interest and Fiscal Charges	0	11,550	11,550
<i>Total Expenditures</i>	<u>5,640,224</u>	<u>661,806</u>	<u>6,302,030</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(13,751)</u>	<u>(137,040)</u>	<u>(150,791)</u>
Other Financing Sources (Uses)			
Transfers In	0	5,000	5,000
Transfers Out	(5,000)	0	(5,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,000)</u>	<u>5,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(18,751)	(132,040)	(150,791)
<i>Fund Balances Beginning of Year</i>	<u>1,146,199</u>	<u>474,354</u>	<u>1,620,553</u>
<i>Fund Balances End of Year</i>	<u>\$1,127,448</u>	<u>\$342,314</u>	<u>\$1,469,762</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds (\$150,791)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	116,769
Depreciation	<u>(143,880)</u>

Total	(27,111)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues were attributed to property taxes. 7,782

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 55,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 90

Some expenses reported in the statement of activities, such as compensated absences and contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	38,324
Pension Obligation	<u>55,340</u>

Total	<u>93,664</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$21,366)</u></u>
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See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$2,006,517	\$2,033,885	\$1,941,432	(\$92,453)
Municipal Income Taxes	520,836	527,940	503,942	(23,998)
Intergovernmental	2,562,107	2,597,053	2,479,000	(118,053)
Interest	36,602	37,102	35,415	(1,687)
Tuition and Fees	203,768	206,547	197,158	(9,389)
Extracurricular Activities	11,705	11,864	11,325	(539)
Contributions and Donations	9,960	10,096	9,637	(459)
Rentals	2,170	2,200	2,100	(100)
Miscellaneous	41,850	42,149	41,141	(1,008)
<i>Total Revenues</i>	<u>5,395,515</u>	<u>5,468,836</u>	<u>5,221,150</u>	<u>(247,686)</u>
Expenditures				
Current:				
Instruction:				
Regular	2,483,241	2,407,150	2,407,150	0
Special	997,135	966,454	966,453	1
Vocational	136,573	130,720	130,720	0
Support Services:				
Pupil	89,003	82,019	82,019	0
Instructional Staff	165,544	109,129	109,129	0
Board of Education	44,141	40,721	40,721	0
Administration	483,235	456,621	456,620	1
Fiscal	253,424	197,504	195,504	2,000
Operation and Maintenance of Plant	621,647	565,688	565,688	0
Pupil Transportation	673,899	648,141	648,137	4
Extracurricular Activities	113,451	90,949	90,949	0
<i>Total Expenditures</i>	<u>6,061,293</u>	<u>5,695,096</u>	<u>5,693,090</u>	<u>2,006</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(665,778)</u>	<u>(226,260)</u>	<u>(471,940)</u>	<u>(245,680)</u>
Other Financing Uses				
Advances Out	(27,109)	(27,109)	0	27,109
Transfers Out	(14,026)	(14,026)	(5,000)	9,026
<i>Total Other Financing Uses</i>	<u>(41,135)</u>	<u>(41,135)</u>	<u>(5,000)</u>	<u>36,135</u>
<i>Net Change in Fund Balance</i>	(706,913)	(267,395)	(476,940)	(209,545)
<i>Fund Balance Beginning of Year</i>	963,511	963,511	963,511	0
Prior Year Encumbrances Appropriated	117,992	117,992	117,992	0
<i>Fund Balance End of Year</i>	<u>\$374,590</u>	<u>\$814,108</u>	<u>\$604,563</u>	<u>(\$209,545)</u>

Ledgemont Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$30,608</u></u>
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Liabilities

Due to Students	<u><u>\$30,608</u></u>
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See accompanying notes to the basic financial statements

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

Note 1 - Description of the School District and Reporting Entity

Ledgemont Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as authorized by State and federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 26 classified employees, 44 certificated full-time and part-time teaching personnel and 4 administrators who provide services to 711 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Ledgemont Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in five jointly governed organizations. These organizations are the Lake Geauga Computer Association, the Ohio Schools' Council, the Ashtabula Joint Vocational School, East Shore Regional Transportation System and East Shore Center. These organizations are presented in Note 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Ledgemont Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

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 expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statement for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes and grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund, function and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were by the Board of Education.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statements reflect the final appropriations passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2005 investments were limited to STAROhio and repurchase agreements. Repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$35,415 which includes \$10,180 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food and supplies held for consumption.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside for the purchase of textbooks, the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

I. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any significant infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 to 50 years
Furniture and Equipment	5 to 20 years
Vehicles	8 years
Textbooks	6 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$648,623, of which \$150,660 is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The School District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, textbooks, capital improvements and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents monies required to be set-aside by statute to protect against cyclical fluctuations in revenues and expenditures.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Change in Accounting Principles

For fiscal year 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers."

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Statement No. 46 clarifies when net assets should be considered restricted based upon enabling legislation.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not materially affect the presentation of the financial statements of the School District.

Note 4 – Compliance and Accountability

A. Compliance

The career development special revenue fund had total original appropriations in excess of estimated resources plus carryover balances by \$2,629 contrary to Section 5705.39, Revised Code. This oversight was identified and corrected by fiscal year end.

The following funds had total final appropriations in excess of estimated resources plus carryover balances contrary to Section 5705.39, Ohio Revised Code:

	Total Estimated Resources	Total Appropriations	Excess
	<u> </u>	<u> </u>	<u> </u>
<i>Special Revenue Funds:</i>			
Emergency	\$0	\$25,000	\$25,000
School Net	0	2,002	2,002
Title I	40,714	48,289	7,575
<i>Capital Projects Fund:</i>			
School Net Building	0	13,765	13,765

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

Although these violations were not corrected by fiscal year end, management has indicated that appropriations will be closely monitored to ensure no future violations occur.

B. Accountability

At June 30, 2005, the following funds have deficit fund balances/net assets:

Special Revenue Funds:	
Title VI-B	\$11,925
Title I	171
Drug Free Schools Grant	7
Reducing Class Size	291

These deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$18,751)
Net Adjustment for Revenue Accruals	(405,323)
Net Adjustment for Expenditure Accruals	129,342
Adjustment for Encumbrances	(182,208)
Budget Basis	<u><u>(\$476,940)</u></u>

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands on the School District Treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Ledgemont Local School District
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For the Fiscal Year Ending June 30, 2005

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$831,885 of the School District's bank balance of \$931,885 was uninsured and collateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool.

	Carrying and Fair Value	Maturity
Repurchase Agreement	\$97,966	July 1, 2005
STAROhio	131,058	33 Days
<i>Totals</i>	\$229,024	

Interest Rate Risk. As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments. The repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered and held by counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk. The repurchase agreement is collateralized with a Fannie Mae which carries a credit rating of A-1+ with Standard Poor's. The STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2005:

Investment	Percentage of Investments
Repurchase Agreement	42.78%
STAROhio	57.22%

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Geauga and Ashtabula Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$671,664 in the general fund. The amount available as an advance at June 30, 2004 was \$271,704 in the general fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$76,570,440	90.23 %	\$78,313,720	89.74 %
Public Utility	3,217,470	3.79	4,118,070	4.72
Tangible Personal Property	5,071,680	5.98	4,836,680	5.54
	<u>\$84,859,590</u>	<u>100.00 %</u>	<u>\$87,268,470</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$55.31		\$55.31	

Note 8 - Income Tax

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2002, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

Note 9 - Receivables

Receivables at June 30, 2005, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be received within one year.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Summer Intervention	\$10,419
Ohio Reads	9,450
Food Service	9,207
Total	\$29,076

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$119,100	\$0	\$0	\$119,100
<i>Capital Assets, being depreciated:</i>				
Land Improvements	566,245	0	0	566,245
Buildings and Improvements	4,774,249	0	0	4,774,249
Furniture and Equipment	124,641	5,064	0	129,705
Vehicles	446,660	111,705	0	558,365
Textbooks	54,774	0	0	54,774
<i>Total Capital Assets, being depreciated</i>	5,966,569	116,769	0	6,083,338
Less Accumulated Depreciation:				
Land Improvements	(450,614)	(7,411)	0	(458,025)
Buildings and Improvements	(3,362,702)	(102,746)	0	(3,465,448)
Furniture and Equipment	(109,452)	(2,824)	0	(112,276)
Vehicles	(357,835)	(25,505)	0	(383,340)
Textbooks	(46,891)	(5,394)	0	(52,285)
<i>Total Accumulation Depreciation</i>	(4,327,494)	(143,880) *	0	(4,471,374)
<i>Total Capital Assets being depreciated, Net</i>	1,639,075	(27,111)	0	1,611,964
<i>Governmental Activities Capital Assets, Net</i>	\$1,758,175	(\$27,111)	\$0	\$1,731,064

Ledgemont Local School District
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For the Fiscal Year Ending June 30, 2005

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$104,545
Special	506
Support Services:	
Instructional Staff	1,659
Pupil Transportation	28,498
Extracurricular Activities	7,544
Food Service Operations	1,128
Total Depreciation Expense	\$143,880

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the School District contracted with various insurance companies. Coverage is as follows:

Company	Type of Coverage	Coverage Amount
Indiana Insurance Company	Building and Contents - replacement cost	\$13,796,695
	Extra Expense Coverage	1,000,000
	Valuable Papers	100,000
	Inland Marine Coverage	658,126
Ohio Casualty Insurance	Crime Insurance	250,000
Travelers Insurance Company	Boiler and Machinery	30,000,000
	Consequential Loss	50,000
	Expediting Expenses	100,000
	Hazardous Substance	100,000
	Ammonia Contamination	100,000
	Water Damage	100,000
	Media	100,000
	Off Premises Service Interruption	500,000
	Ordinance or Law	1,000,000
	Todd/Indiana Insurance	Automobile Liability
Uninsured Motorist		1,000,000
Umbrella (per occurrence)		2,000,000
General Liability		
Per Occurrence		1,000,000
	Total per Year	5,000,000

Ledgemont Local School District
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Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees as directed under their contract. Accumulated unused vacation time is paid to classified employees upon termination of employment, with some restrictions. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement. The number of unused sick days which can be accumulated is 305.

B. Insurance

Medical, surgical, vision and dental insurance is offered to employees through Medical Mutual Insurance Company of Ohio. The traditional plan has a \$100 deductible for single and a \$200 deductible for family. The co-payment is 90/10. The premium for single is \$338.13 and \$853.36 for family per month.

Life insurance is offered to employees through Anthem Life Insurance Company of Columbus, Ohio. The Superintendent receives \$187,666 coverage for \$22.05 per month; administrators, supervisors, certified, custodial and clerical employees receive \$50,000 for \$5.87 per month. All premiums are paid by the School District.

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligation. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by

Ledgemont Local School District
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the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$73,541, \$60,696 and \$63,679 respectively; 55.77 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$270,305, \$255,624, and \$279,167 respectively; 75.51 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$3,327 made by the School District and \$6,673 made by the plan members.

Ledgemont Local School District
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C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement/State Teachers Retirement System. As of June 30, 2005, all the members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$20,793 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established as \$27,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2005 fiscal year equaled \$38,811.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

Note 15 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Principal Outstanding 06/30/04	Additions	Reductions	Principal Outstanding 06/30/05	Amount Due in One Year
General Obligation Bonds:					
Classroom Facilities Bonds 1982, 14.0%	\$110,000	\$0	\$55,000	\$55,000	\$55,000
Compensated Absences	336,694	37,942	76,266	298,370	22,852
<i>Total General Long-Term Obligations</i>	<u>\$446,694</u>	<u>\$37,942</u>	<u>\$131,266</u>	<u>\$353,370</u>	<u>\$77,852</u>

The general obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general fund and the food service, educational management information systems, summer intervention and title I special revenue funds.

The School District's overall legal debt margin was \$7,978,345 with an unvoted debt margin of \$87,268 at June 30, 2005. The School District will have a payment of \$55,000 for principal and \$3,850 for interest to retire general obligation bonds outstanding at June 30, 2005.

Note 16 - Jointly Governed Organizations

Lake Geauga Computer Association The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2005, no fees were paid to the Association. This includes payments for prior fiscal years. Financial information can be obtained from: Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

Ohio Schools' Council The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2005, the School District paid \$2,343 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Ledgemont Local School District
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The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

Ashtabula Joint Vocational School The Ashtabula Joint Vocational School is a jointly governed organization among eleven school districts. The governing board consists of the superintendents of the member school districts. The students of each participating school district may attend classes offered at the vocational facility. Continued existence of the Ashtabula Joint Vocational School is not dependent on the School District's continued participation. In fiscal year 2005, no fee was paid to the School. Financial information can be obtained by writing the Ashtabula Joint Vocational School, 1565 State Route 167, Jefferson, Ohio 44047.

East Shore Regional Transportation System The East Shore Regional Transportation System (ESRTA) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2005, no fee was paid to the System. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

East Shore Center The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. East Shore Center is not accumulating significant resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. In fiscal year 2005, no fee was paid to the Center. Financial information can be obtained by writing the fiscal agent, the Lake County Educational Service Center, 30 South Park Place, Suite 320, Painesville, Ohio 44077.

Note 17 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of the School District, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

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Notes to the Basic Financial Statements
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B. Litigation

The Ledgemont Local School District is not a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects.

Note 18 – Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2005, only the unspent portion of certain worker’s compensation refunds continues to be set-aside.

The following cash basis information describes the change in the fiscal year end set-aside amounts for textbooks, capital acquisitions and budget stabilization. Disclosure of this information is required by State statute.

	Budget Stabilization	Textbook Instructional Material Reserve	Capital Improvements Reserve
Set Aside Reserve Balance as of June 30, 2004	\$23,784	\$55,139	\$189,919
Current Year Set-Aside Requirement	0	89,317	89,317
Qualifying Disbursements	0	(12,208)	(127,116)
Totals	<u>\$23,784</u>	<u>\$132,248</u>	<u>\$152,120</u>
Set-Aside Reserve Balance as of June 30, 2005 and Carried Forward to Future Fiscal Years	<u>\$23,784</u>	<u>\$132,248</u>	<u>\$152,120</u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$308,152.

Note 19 – Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at June 30, 2005, consist of an interfund receivable in the general fund and a corresponding interfund payable in the title VI-B special revenue fund in the amount of \$10,268.

The interfund payable is an advance for grant monies that were not repaid by fiscal year end and to support programs and projects in the special revenue funds that are awaiting grant dollars.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2005

B. Interfund Transfers

The only transfer made during fiscal year 2005 was for \$5,000 from the general fund to the educational management information system special revenue fund. The transfer was made to cover costs that exceeded the grant limits.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of Ledgemont Local School District's financial performance is presented by the School District's Treasurer and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 include:

- Income tax collections continue to be below the State of Ohio Department of Taxation's estimates by approximately 31 percent. Audits are being performed to try and identify the reason for the reduced collections and the collection of delinquent taxes is being pursued.
- Total net assets remained fairly constant increasing by a mere \$25,494. This represents a 0.87 percent increase over fiscal year 2003.
- Total revenues of \$5,831,004 were comprised of general revenues in the amount of \$5,047,580 or 86.6 percent and program specific revenues from charges for services, grants and contributions in the amount of \$783,424 or 13.4 percent.
- Total assets decreased by \$215,567. Capital assets, net of depreciation decreased by \$105,619. This is the net effect of capital outlay expenditures of \$38,935 and depreciation of \$144,554. Current and other assets decreased by \$109,948.
- There was an increase of \$159,809 in the general fund balance from fiscal year end 2003. This report will analyze various factors contributing to the increase.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the Ledgemont Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Ledgemont Local School District, the general fund is the most significant fund.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

This analysis of the School District encompasses all of the School District's funds used to provide programs and activities and presents them as a whole. This view of the School District as a whole looks at all financial transactions and answers the questions, "What were the fiscal changes throughout the year" and "What was the net effect of those changes?". The Statement of Net Assets and the Statement of Activities provide the basis for answering these questions. The statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and any changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some strictly within the scope of the School District, some not. External factors include the School District's property tax base, income tax collections, community demographics, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food services.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 49. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, the fund financial statements focus on the School District's most significant funds.

Governmental Funds - The School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* are reconciled in the financial statements of the *Governmental Funds*.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$3,773,601	\$3,883,549
Capital Assets, Net	1,758,175	1,863,794
<i>Total Assets</i>	5,531,776	5,747,343
Liabilities		
Current and Other Liabilities	2,128,183	2,321,306
Long-Term Liabilities:		
Due Within One Year	159,135	64,482
Due in More than One Year	287,559	430,150
<i>Total Liabilities</i>	2,574,877	2,815,938
Net Assets		
Invested in Capital Assets, Net of Debt	1,648,175	1,698,794
Restricted:		
Capital Projects	1,800	3,542
Debt Service	190,557	263,062
Set Asides	268,842	133,551
Other Purposes	264,461	249,535
Unrestricted	583,064	582,921
Total Net Assets	\$2,956,899	\$2,931,405

Total assets decreased by \$215,567 with a decrease in capital assets of \$105,619 and decrease in Current and other assets of \$109,948.

Current liabilities in governmental activities decreased by \$193,123. Long-term liabilities decreased by \$47,938 due to the paying down of the long-term debt.

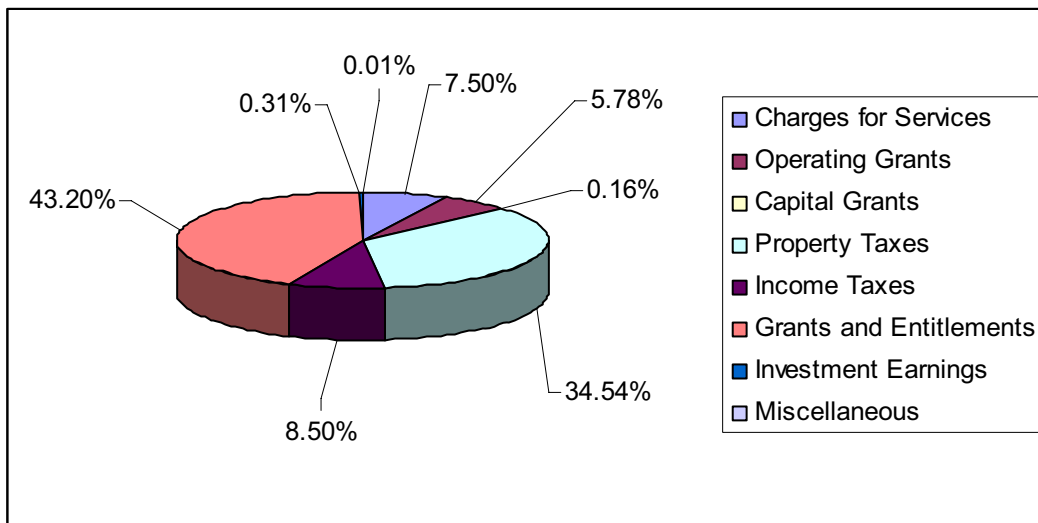
Table 2 shows the net assets for fiscal year 2004. This is the first year for the School District to report according to the guidelines of GASB 34 and for this reason there is no data for comparison. In future reports this table will provide a comparison to the previous fiscal year.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 2)
Change in Net Assets - Governmental Funds

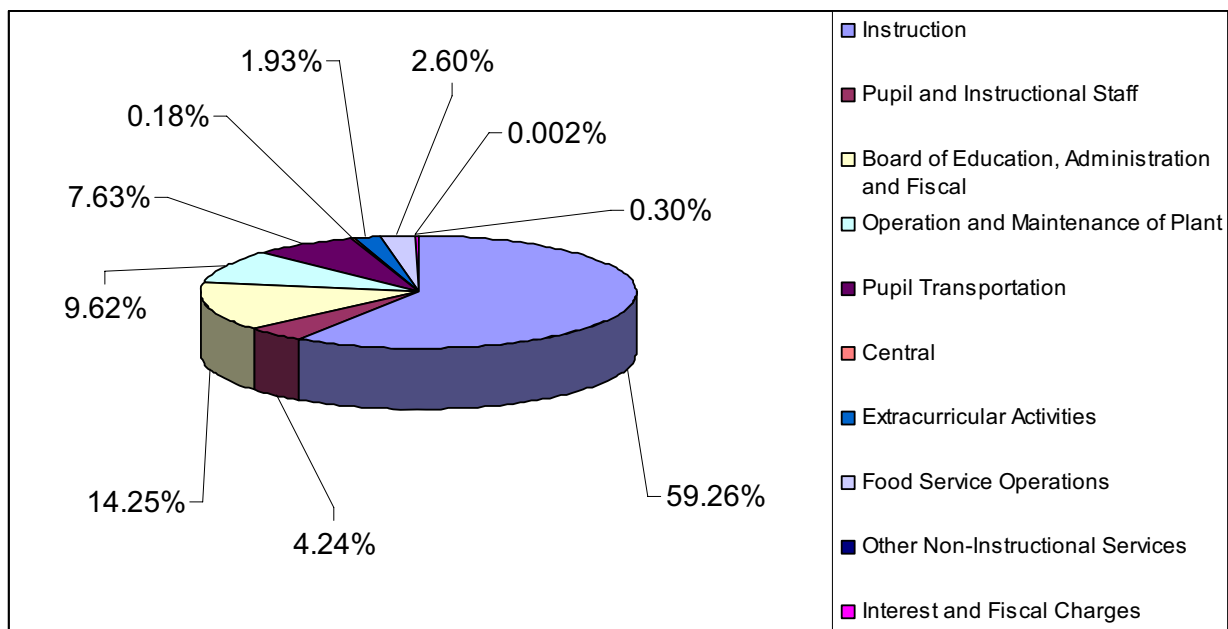
	2004
Revenues	
<i>Program Revenues</i>	
Charges for Services	\$437,412
Operating Grants and Contributions	336,860
Capital Grants	9,152
<i>Total Program Revenues</i>	783,424
<i>General Revenues</i>	
Property Taxes	2,014,113
Income Taxes	495,625
Grants and Entitlements not Restricted to Specific Programs	2,519,190
Investment Earnings	17,807
Miscellaneous	845
<i>Total General Revenues</i>	5,047,580
<i>Total Revenues</i>	5,831,004
Program Expenses	
Instruction	
Regular	2,526,685
Special	777,911
Vocational	135,588
Support Services:	
Pupil	88,479
Instructional Staff	157,553
Board of Education	26,460
Administration	573,693
Fiscal	227,136
Operation and Maintenance	558,328
Pupil Transportation	443,223
Central	10,269
Extracurricular Activities	111,851
Operation of Non-Instructional Services:	
Food Service Operations	150,703
Other Non-Instructional Services	126
Interest and Fiscal Charges	17,505
<i>Total Program Expenses</i>	5,805,510
<i>Increase in Net Assets</i>	25,494
<i>Net Assets Beginning of Year - (See Note 3)</i>	2,931,405
<i>Net Assets End of Year</i>	\$2,956,899

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited



REVENUES

The main sources of revenue for the School District are the State of Ohio foundation payment, grants, the local share in the form of property taxes, the School District's income tax, fees charged to students for special programs and tuition received from other school districts to educate their students through open enrollment. The State of Ohio provided 43 percent of the revenue received by the School District in 2004. The local share was also 43 percent with 35 percent being generated from property tax payments made to the County Treasurer and 8 percent from the School District's income tax received and disbursed from the State of Ohio Department of Taxation.



Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

EXPENDITURES

The School District was responsible for providing educational services for 746 eligible community members. Regular education expenses encompassed 73 percent of all instructional expenses. Special instruction costs equaled 23 percent of total instructional expenses. Special education students made up 13 percent of the entire student population. Vocational education programs such as living skills and occupational work programs made up 4 percent of the instructional expenses and are offered to the entire student population.

Total expenses are made up by two main areas instructional and support services. Support Services is then broken down into many subsections. Instructional costs made up 59 percent of all expenses. Support services were 36 percent of expenses and provide services such as busing, building and grounds maintenance, administration, board of education, fiscal and other. Food services and extracurricular accounted for 5 percent of the expenses. These two programs generate revenue through sales and fees.

Governmental Activities

The School District carefully plans its financial future by projecting its revenue and expenses and presents them on a five year forecast. The five year forecast changes continually and is presented to and approved by the Board of Education at least twice a year. In November of 2001, the School District successfully passed a .75 percent income tax levy that was estimated to grow with inflation. It is currently not generating the \$545,000 the State of Ohio Department of Taxation estimated collections should be. Audits have revealed 31 percent of residents are not filing School District income tax forms with the State of Ohio. Collections of back taxes are being pursued. Estimates and audits are based on the State income tax filings.

Although the School District relies heavily upon local property and income taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2004.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 3)
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$3,440,184	(\$3,073,715)
Support Services:		
Pupil and Instructional Staff	246,032	(224,600)
Board of Education, Administration, and Fiscal	827,289	(711,470)
Operation and Maintenance of Plant	558,328	(532,126)
Pupil Transportation	443,223	(415,086)
Central	10,269	(5,269)
Extracurricular Activities	111,851	(62,994)
Operation of Non-Instructional Services:		
Food Service Operations	150,703	14,057
Other Non-Instructional Services	126	6,622
Interest and Fiscal Charges	17,505	(17,505)
<i>Total Expenses</i>	\$5,805,510	(\$5,022,086)

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,847,595 and expenditures of \$5,753,536.

The net change on fund balance for the year was most significant in the general fund. In fiscal year 2004, the net change in fund balance in the general fund was \$159,809. This change was from a reduction in regular instruction and pupil transportation expenditures of (\$111,592) and (\$37,771), respectively that resulted from a decrease in overall student enrollment.

Other governmental funds show a net change in fund balance of (\$65,750). In fiscal year 2004, the net change in fund balance for the bond retirement debt service fund was (\$74,250). This change was the result of reducing the School District's overall debt liability. Special revenue funds as a whole showed a net change in fund balance of \$10,242 from an overall increase in grant revenues.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

During the course of fiscal 2004, the School District amended its general fund budget numerous times. Many of the amendments are due to changes in expenditure priorities at the building levels. For the general fund, the actual revenue was \$5,228,908 representing a \$179,417 increase from the original budget estimates of \$5,049,491. Most of this difference was due to conservative tax estimates in the area of real estate and additional adjustments to state foundation and grants. The School District's general fund balance at end of year was \$963,511 reflecting additional funds budgeted but not expended or encumbered.

The School District revises its budget throughout the fiscal year. During fiscal year 2004, the significant change in expenditures was in the area of regular instruction. This change was due to conservative initial estimates. The School District continues to control the budget at the fund, function and object level.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004 the School District had \$1,758,175 invested in land, land improvements buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal 2004 balances compared to fiscal year 2003. More detailed information is presented in Note 10 of the notes to the basic financial statements.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$119,100	\$119,100
Land Improvements	115,631	83,134
Buildings and Improvements	1,411,547	1,515,444
Furniture and Equipment	15,189	17,506
Vehicles	88,825	111,598
Textbooks	7,883	17,012
Totals	\$1,758,175	\$1,863,794

Debt

At June 30, 2004 the School District had \$110,000 in bonds outstanding, \$55,000 due within one year. Table 5 summarizes debt outstanding. More detailed information is presented in Note 15 of the notes to the basic financial statements.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 5)
Outstanding Long-Term Obligations

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Classroom Facilities Bond	\$110,000	\$165,000
Compensated Absences	<u>336,694</u>	<u>329,632</u>
Totals	<u>\$446,694</u>	<u>\$494,632</u>

In 1980 the voters approved a bond issue providing \$1.3 million for the construction of a new elementary/middle school. The School District stopped collecting taxes for the bond from the residents early due to sufficient receipts to pay off bond. The bond will be paid in its entirety in fiscal year 2006.

Challenges and Opportunities for the Future

The School District will continue to provide the best education it can to the community's most important asset. It will be a responsible and conservative custodian of the public's monies. With no additional levies pending, the School District will continue to work within the confines of the budget it has set forth. Working in conjunction with the State of Ohio Department of Taxation the School District will vigorously pursue the collection of back taxes owed from the School District's income tax.

In December 2002, the Ohio Supreme Court granted a motion for reconsideration on its latest opinion regarding the State's school funding plan. The School District does not anticipate any material changes in the State funded portion of its budget. This ruling is further discussed in Note 19.

The Ledgemont Local School District has committed itself to financial reporting excellence. Ledgemont continues its commitment to continuous improvement in financial reporting to our community.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Leanne Ashby-Sidley, Treasurer at Ledgemont Local School District, 16200 Burrows Rd. Thompson, Oh. 44086, or le_sidley@lgca.org.

Basic Financial Statements

Ledgemont Local School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,551,814
Accounts Receivable	107
Intergovernmental Receivable	27,401
Inventory Held for Resale	3,479
Materials and Supplies Inventory	22,354
Property Taxes Receivable	1,930,966
Municipal Income Taxes Receivable	237,480
Nondepreciable Capital Assets	119,100
Depreciable Capital Assets	<u>1,639,075</u>
<i>Total Assets</i>	<u>5,531,776</u>
Liabilities	
Accrued Wages	385,765
Intergovernmental Payable	162,102
Accrued Interest Payable	180
Matured Compensated Absences Payable	1,259
Deferred Revenue	1,578,877
Long-Term Liabilities:	
Due Within One Year	159,135
Due in More Than One Year	<u>287,559</u>
<i>Total Liabilities</i>	<u>2,574,877</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,648,175
Restricted for:	
Capital Projects	1,800
Debt Service	190,557
Set Asides	268,842
Other Purposes	264,461
Unrestricted	<u>583,064</u>
<i>Total Net Assets</i>	<u><u>\$2,956,899</u></u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net Expense and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants Contributions, and Interest		Capital Grants and Contributions
Governmental Activities					
Instruction:					
Regular	\$2,526,685	\$165,238	\$108,232	\$886	(\$2,252,329)
Special	777,911	34,226	51,433	0	(692,252)
Vocational	135,588	6,454	0	0	(129,134)
Support Services:					
Pupil	88,479	4,081	2,648	0	(81,750)
Instructional Staff	157,553	7,246	7,457	0	(142,850)
Board of Education	26,460	1,260	0	0	(25,200)
Administration	573,693	23,530	80,232	0	(469,931)
Fiscal	227,136	10,797	0	0	(216,339)
Operation and Maintenance of Plant	558,328	26,202	0	0	(532,126)
Pupil Transportation	443,223	19,871	0	8,266	(415,086)
Central	10,269	0	5,000	0	(5,269)
Extracurricular Activities	111,851	31,528	17,329	0	(62,994)
Operation of Non-Instructional Services:					
Food Service Operations	150,703	100,374	64,386	0	14,057
Other Non-Instructional Services	126	6,605	143	0	6,622
Interest and Fiscal Charges	17,505	0	0	0	(17,505)
<i>Total Governmental Activities</i>	<u>\$5,805,510</u>	<u>\$437,412</u>	<u>\$336,860</u>	<u>\$9,152</u>	<u>(5,022,086)</u>

General Revenues

Property Taxes Levied for:

General Purposes	2,002,799
Other Purposes	11,314
Income Taxes Levied for General Purposes	495,625
Grants and Entitlements not Restricted to Specific Programs	2,519,190
Investment Earnings	17,807
Miscellaneous	845

Total General Revenues 5,047,580

Change in Net Assets 25,494

Net Assets Beginning of Year - See Note 3 2,931,405

Net Assets End of Year \$2,956,899

See accompanying notes to the basic financial statements

Ledgemont Local School District

Balance Sheet

Governmental Funds

June 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$793,437	\$470,307	\$1,263,744
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	288,070	0	288,070
Property Taxes Receivable	1,930,966	0	1,930,966
Municipal Income Taxes Receivable	237,480	0	237,480
Accounts Receivable	107	0	107
Intergovernmental Receivable	0	27,401	27,401
Interfund Receivable	10,268	0	10,268
Inventory Held for Resale	0	3,479	3,479
Materials and Supplies Inventory	21,032	1,322	22,354
<i>Total Assets</i>	<u>\$3,281,360</u>	<u>\$502,509</u>	<u>\$3,783,869</u>
 Liabilities and Fund Balances			
Liabilities			
Accrued Wages	\$371,814	\$13,951	\$385,765
Interfund Payable	0	10,268	10,268
Intergovernmental Payable	102,826	3,936	106,762
Matured Compensated Absences Payable	1,259	0	1,259
Deferred Revenue	1,659,262	0	1,659,262
<i>Total Liabilities</i>	<u>2,135,161</u>	<u>28,155</u>	<u>2,163,316</u>
 Fund Balances			
Reserved for Encumbrances	117,992	18,291	136,283
Reserved for Property Taxes	271,704	0	271,704
Reserved for Textbooks	55,139	0	55,139
Reserved for Capital Improvements	189,919	0	189,919
Reserved for Budget Stabilization	23,784	0	23,784
Reserved for School Bus Purchase	19,228	0	19,228
Unreserved:			
Undesignated, Reported in:			
General Fund	468,433	0	468,433
Special Revenue Funds	0	263,526	263,526
Debt Service Fund	0	190,737	190,737
Capital Projects Funds	0	1,800	1,800
<i>Total Fund Balances</i>	<u>1,146,199</u>	<u>474,354</u>	<u>1,620,553</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,281,360</u>	<u>\$502,509</u>	<u>\$3,783,869</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances	\$1,620,553
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,758,175
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes.	80,385
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(180)
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(55,340)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(336,694)
General Obligation Bonds	<u>(110,000)</u>
Total	<u>(446,694)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$2,956,899</u></u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$2,017,889	\$12,815	\$2,030,704
Municipal Income Taxes	495,625	0	495,625
Intergovernmental	2,527,443	315,793	2,843,236
Interest	17,284	523	17,807
Tuition and Fees	213,705	0	213,705
Extracurricular Activities	11,745	74,188	85,933
Contributions and Donations	6,395	21,966	28,361
Charges for Services	0	118,879	118,879
Rentals	12,500	0	12,500
Miscellaneous	845	0	845
<i>Total Revenues</i>	<u>5,303,431</u>	<u>544,164</u>	<u>5,847,595</u>
Expenditures			
Current:			
Instruction:			
Regular	2,232,875	170,749	2,403,624
Special	728,489	58,064	786,553
Vocational	134,187	0	134,187
Support Services:			
Pupil	85,416	2,739	88,155
Instructional Staff	142,978	13,713	156,691
Board of Education	26,460	0	26,460
Administration	489,320	79,855	569,175
Fiscal	227,721	307	228,028
Operation and Maintenance of Plant	552,947	0	552,947
Pupil Transportation	426,272	0	426,272
Central	0	9,563	9,563
Extracurricular Activities	86,957	52,844	139,801
Operation of Non-Instructional Services:			
Food Service Operations	0	147,218	147,218
Other Non-Instructional Services	0	7,984	7,984
Capital Outlay	0	2,628	2,628
Debt Service:			
Principal Retirement	0	55,000	55,000
Interest and Fiscal Charges	0	19,250	19,250
<i>Total Expenditures</i>	<u>5,133,622</u>	<u>619,914</u>	<u>5,753,536</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>169,809</u>	<u>(75,750)</u>	<u>94,059</u>
Other Financing Sources (Uses)			
Transfers In	0	10,000	10,000
Transfers Out	(10,000)	0	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	159,809	(65,750)	94,059
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>986,390</u>	<u>540,104</u>	<u>1,526,494</u>
<i>Fund Balances End of Year</i>	<u>\$1,146,199</u>	<u>\$474,354</u>	<u>\$1,620,553</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds \$94,059

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	38,935
Depreciation	<u>(144,554)</u>

Total	(105,619)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues were attributed to property taxes. (16,591)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 55,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,745

Some expenses reported in the statement of activities, such as compensated absences and contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(7,062)
Pension Obligation	<u>3,962</u>

Total	<u>(3,100)</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$25,494</u></u>
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See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,863,233	\$1,826,095	\$1,929,437	\$103,342
Municipal Income Taxes	475,008	465,540	491,886	26,346
Intergovernmental	2,457,885	2,408,895	2,545,218	136,323
Interest	16,691	16,358	17,284	926
Tuition and Fees	206,372	202,259	213,705	11,446
Extracurricular Activities	11,239	11,015	11,638	623
Contributions and Donations	6,176	6,052	6,395	343
Rentals	12,071	11,830	12,500	670
Miscellaneous	816	800	845	45
<i>Total Revenues</i>	5,049,491	4,948,844	5,228,908	280,064
Expenditures				
Current:				
Instruction:				
Regular	2,571,199	2,348,112	2,232,569	115,543
Special	941,100	863,722	843,840	19,882
Vocational	148,954	136,371	134,107	2,264
Support Services:				
Pupils	96,906	88,760	83,569	5,191
Instructional Staff	177,256	162,282	147,802	14,480
Board of Education	39,622	36,428	33,703	2,725
Administration	525,895	481,507	473,104	8,403
Fiscal	249,923	228,829	224,053	4,776
Operation and Maintenance of Plant	631,603	578,401	562,674	15,727
Pupil Transportation	497,524	455,496	441,388	14,108
Central	4	4	0	4
Extracurricular Activities	102,503	93,844	86,811	7,033
<i>Total Expenditures</i>	5,982,489	5,473,756	5,263,620	210,136
<i>Excess of Revenues Under Expenditures</i>	(932,998)	(524,912)	(34,712)	490,200
Other Financing Uses				
Advances Out	(21,542)	(21,542)	0	21,542
Transfers Out	(10,000)	(10,000)	(10,000)	0
<i>Total Other Financing Uses</i>	(31,542)	(31,542)	(10,000)	21,542
<i>Net Change in Fund Balance</i>	(964,540)	(556,454)	(44,712)	511,742
<i>Fund Balance Beginning of Year</i>	965,629	965,629	965,629	0
Prior Year Encumbrances Appropriated	42,594	42,594	42,594	0
<i>Fund Balance End of Year</i>	\$43,683	\$451,769	\$963,511	\$511,742

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$27,852</u></u>
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Liabilities

Due to Students	<u><u>\$27,852</u></u>
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See accompanying notes to the basic financial statements

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Note 1 - Description of the School District and Reporting Entity

Ledgemont Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as authorized by State and federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 33 classified employees, 46 certificated full-time and part-time teaching personnel and 4 administrators who provide services to 746 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Ledgemont Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in five jointly governed organizations. These organizations are the Lake Geauga Computer Association, the Ohio Schools' Council, the Ashtabula Joint Vocational School, East Shore Regional Transportation System and East Shore Center. These organizations are presented in Note 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Ledgemont Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

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 expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statement for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes and grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund, function and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed by the Board of Education.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statements reflect the final appropriations passed by the Board during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2004 investments were limited to STAROhio and repurchase agreements. Repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$17,284 which includes \$4,874 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food and supplies held for consumption.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and amounts required by State statute to be set aside for the purchase of textbooks, the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

I. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any significant infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 to 50 years
Furniture and Equipment	5 to 20 years
Vehicles	8 years
Textbooks	6 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include instructional operations, food service operations and extracurricular activities.

The School District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, textbooks, capital improvements, budget stabilization and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents monies required to be set-aside by statute to protect against cyclical fluctuations in revenues and expenditures.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Change in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles For fiscal year 2004, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government. The implementation of GASB Statement No. 39 did not affect the reporting entity of the School District.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of Statement No. 41 did not affect the presentation of the budgetary statements of the School District.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Ordinarily, the government-wide financial statements split the government's programs between business-type and governmental activities. The School District has no business type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Restatement of Fund Balance For the School District, it was determined that enterprise funds should be reclassified as special revenue funds. The new standards for reporting fund obligations for compensated absences in Interpretation 6 also caused changes in previously reported fund balances. The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor	Total
Fund Balances, June 30, 2003	\$973,311	\$504,978	\$1,478,289
Fund Reclassification	0	35,126	35,126
Interpretation No. 6			
Compensated Absences	13,079	0	13,079
Adjusted Fund Balances, June 30, 2003	\$986,390	\$540,104	1,526,494
GASB 34 Adjustments:			
Capital Assets			1,863,794
Pension Obligations			(59,302)
Accrued Interest			(1,925)
Long-Term Liabilities:			
Compensated Absences			(329,632)
Classroom Facilities Bond			(165,000)
Long-Term (Deferred) Assets			96,976
Governmental Activities Net Assets, June 30, 2003			\$2,931,405

Note 4 – Compliance and Accountability

A. Compliance

The schoolnet plus capital projects fund had total original appropriations in excess of estimated resources plus carryover balances by \$13,139 contrary to Section 5705.39, Revised Code.

The teacher development and title III special revenue funds had total final appropriations in excess of estimated resources plus carryover balances by \$2,068 and \$1,000, respectively, contrary to Section 5705.39, Revised Code. Although these violations were not corrected by fiscal year end, management has indicated that appropriations will be closely monitored to ensure no future violations occur.

B. Accountability

At June 30, 2004, the title I special revenue fund had a fund deficit of \$4,805. The deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, rather than when accruals occur.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$159,809
Net Adjustment for Revenue Accruals	(74,523)
Net Adjustment for Expenditure Accruals	(12,002)
Adjustment for Encumbrances	(117,996)
Budget Basis	(\$44,712)

Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. The State Treasurer's investment pool (STAROhio);
5. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
6. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

The following information classifies deposits and investments by categories of risk as defined in GASB statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$1,178,211 and the bank balance was \$1,255,964. \$100,000 of the bank balance was covered by federal depository insurance. \$1,155,964 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invests in STAROhio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$273,042	\$273,042	\$273,042
STAROhio		128,413	128,413
<i>Totals</i>		\$401,455	\$401,455

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$1,579,666	\$0
Investments which are part of the cash management pool:		
Repurchase Agreement	(273,042)	273,042
STAROhio	(128,413)	128,413
GASB Statement No. 3	\$1,178,211	\$401,455

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Geauga and Ashtabula Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$271,704 in the general fund. The amount available as an advance at June 30, 2003 was \$183,252 in the general fund and \$3,566 in the classroom facilities special revenue fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue has been deferred.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 First Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$74,248,010	88.82 %	\$76,570,440	90.23 %
Public Utility	3,527,390	4.22	3,217,470	3.79
Tangible Personal Property	5,818,740	6.96	5,071,680	5.98
	\$83,594,140	100.00 %	\$84,859,590	100.00 %
Tax rate per \$1,000 of assessed valuation	\$56.31		\$55.31	

Note 8 - Income Tax

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2002, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

Note 9 - Receivables

Receivables at June 30, 2004, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Title VI-B	\$16,797
Food Service	7,867
Title V	2,494
Goals 2000	243
Total	\$27,401

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$119,100	\$0	\$0	\$119,100
<i>Capital Assets, being depreciated:</i>				
Land Improvements	527,310	38,935	0	566,245
Buildings and Improvements	4,774,249	0	0	4,774,249
Furniture and Equipment	124,641	0	0	124,641
Vehicles	446,660	0	0	446,660
Textbooks	54,774	0	0	54,774
<i>Total Capital Assets, being depreciated</i>	<u>5,927,634</u>	<u>38,935</u>	<u>0</u>	<u>5,966,569</u>
Less Accumulated Depreciation:				
Land Improvements	(444,176)	(6,438)	0	(450,614)
Buildings and Improvements	(3,258,805)	(103,897)	0	(3,362,702)
Furniture and Equipment	(107,135)	(2,317)	0	(109,452)
Vehicles	(335,062)	(22,773)	0	(357,835)
Textbooks	(37,762)	(9,129)	0	(46,891)
<i>Total Accumulation Depreciation</i>	<u>(4,182,940)</u>	<u>(144,554) *</u>	<u>0</u>	<u>(4,327,494)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>1,744,694</u>	<u>(105,619)</u>	<u>0</u>	<u>1,639,075</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,863,794</u>	<u>(\$105,619)</u>	<u>\$0</u>	<u>\$1,758,175</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$109,431
Support Services:	
Instructional Staff	1,659
Pupil Transportation	25,766
Extracurricular Activities	6,570
Food Service Operations	1,128
Total Depreciation Expense	<u>\$144,554</u>

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2004, the School District contracted with Indiana Insurance Company, Ohio Casualty Insurance, Travelers Insurance and Todd/Indiana Insurance. Coverage is as follows:

Company	Type of Coverage	Coverage Amount
Indiana Insurance Company	Building and Contents - replacement cost	\$13,526,172
	Extra Expense Coverage	1,000,000
	Valuable Papers	100,000
	Inland Marine Coverage	646,084
Ohio Casualty Insurance	Crime Insurance	250,000
Travelers Insurance Company	Boiler and Machinery	30,000,000
	Consequential Loss	50,000
	Expediting Expenses	100,000
	Hazardous Substance	100,000
	Ammonia Contamination	100,000
	Water Damage	100,000
	Media	100,000
	Off Premises Service Interruption	500,000
	Ordinance or Law	1,000,000
Todd/Indiana Insurance	Automobile Liability	
	Uninsured Motorist	1,000,000
	Umbrella (per occurrence)	2,000,000
	General Liability	
	Per Occurrence	1,000,000
	Total per Year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees as directed under their contract. Accumulated unused vacation time is paid to classified employees upon termination of employment, with some restrictions. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement. The number of unused sick days which can be accumulated is 305.

B. Insurance

Medical, surgical, vision and dental insurance is offered to employees through Medical Mutual Insurance Company of Ohio. The traditional plan has a \$100 deductible for single and a \$200 deductible for family. The co-payment is 90/10. The premium for single is \$306.17 and \$776.32 for family per month.

Life insurance is offered to employees through Anthem Life Insurance Company of Columbus, Ohio. The Superintendent receives \$173,060 coverage for \$20.33 per month; administrators, supervisors, certified, custodial and clerical employees receive \$50,000 for \$5.75 per month. All premiums are paid by the School District.

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$60,696, \$63,679 and \$31,073 respectively; 44.80 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$255,624, \$279,167, and \$194,434 respectively; 77.09 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$2,397 made by the School District and \$9,526 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement/State Teachers Retirement System. As of June 30, 2004, all the members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Note 14 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$19,663 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004 the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$25,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$47,533.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Note 15 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Principal Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>06/30/04</u>	Amount Due in One Year
General Obligation Bonds:					
Classroom Facilities Bonds 1982, 14.0%	\$165,000	\$0	\$55,000	\$110,000	\$55,000
Compensated Absences	<u>329,632</u>	<u>24,765</u>	<u>17,703</u>	<u>336,694</u>	<u>104,135</u>
<i>Total General Long-Term Obligations</i>	<u><u>\$494,632</u></u>	<u><u>\$24,765</u></u>	<u><u>\$72,703</u></u>	<u><u>\$446,694</u></u>	<u><u>\$159,135</u></u>

The general obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general fund and the food service, educational management information systems, summer intervention and title I special revenue funds.

The School District's overall legal debt margin was \$7,828,100 with an unvoted debt margin of \$84,860 at June 30, 2004. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004 are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$55,000	\$15,400	\$70,400
2006	55,000	3,850	58,850
Total	<u><u>\$110,000</u></u>	<u><u>\$19,250</u></u>	<u><u>\$129,250</u></u>

Note 16 - Jointly Governed Organizations

Lake Geauga Computer Association The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2004, no fees were paid to the Association. This includes payments for prior fiscal years. Financial information can be obtained from: Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Ohio Schools' Council The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2004, the School District paid \$2,002 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

Ashtabula Joint Vocational School The Ashtabula Joint Vocational School is a jointly governed organization among eleven school districts. The governing board consists of the superintendents of the member school districts. The students of each participating school district may attend classes offered at the vocational facility. Continued existence of the Ashtabula Joint Vocational School is not dependent on the School District's continued participation. In fiscal year 2004, no fee was paid to the School. Financial information can be obtained by writing the Ashtabula Joint Vocational School, 1565 State Route 167, Jefferson, Ohio 44047.

East Shore Regional Transportation System The East Shore Regional Transportation System (ESRTA) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2004, no fee was paid to the System. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

East Shore Center The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. East Shore Center is not accumulating significant resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. In fiscal year 2004, no fee was paid to the Center. Financial information can be obtained by writing the fiscal agent, the Lake County Educational Service Center, 30 South Park Place, Suite 320, Painesville, Ohio 44077.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Note 17 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of the School District, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

The Ledgemont Local School District is not a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects.

Note 18 – Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portion of certain worker's compensation refunds continues to be set-aside.

The following cash basis information describes the change in the fiscal year end set-aside amounts for textbooks, capital acquisitions and budget stabilization. Disclosure of this information is required by State statute.

	Budget Stabilization	Textbook Instructional Material Reserve	Capital Improvements Reserve
Set Aside Reserve Balance as of June 30, 2003	\$23,784	(\$18,462)	\$109,767
Current Year Set-Aside Requirement	0	91,226	91,226
Qualifying Disbursements	0	(17,625)	(11,074)
Totals	<u>\$23,784</u>	<u>\$55,139</u>	<u>\$189,919</u>
Set-Aside Reserve Balance as of June 30, 2004 and Carried Forward to Future Fiscal Years	<u>\$23,784</u>	<u>\$55,139</u>	<u>\$189,919</u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$268,842.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2004

Note 19 – State School Funding Decision

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

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

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

Note 20 – Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at June 30, 2004, consist of an interfund receivable in the general fund and a corresponding interfund payable in the title VI-B special revenue fund in the amount of \$10,268.

The interfund payable is an advance for grant monies that were not repaid by fiscal year end and to support programs and projects in the special revenue funds that are awaiting grant dollars.

B. Interfund Transfers

The only transfer made during fiscal year 2004 was for \$10,000 from the general fund to the educational management information system special revenue fund. The transfer was made to cover costs that exceed the grant limits.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Ledgemont Local School District
Geauga County
16200 Burrow Road
Thompson, Ohio 44086

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ledgemont Local School District, Geauga County, Ohio, (the District) as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2006, wherein we noted the District implemented GASB Statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated February 17, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated February 17, 2006, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 17, 2006

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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* The comments with an asterisk (*) denote comments which were previously brought to management's attention for the fiscal year ended June 30, 2003, in which no corrective action has been taken.

Finding Number	2005-001
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Certification of Funds *

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty-six percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the District certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2005-001
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Certification of Funds (Continued)

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Finding Number	2005-002
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Timely Deposit *

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, the legislative body may adopt a policy permitting their money to be held past the next business day, but the deposit must be made no later than three business days after receiving the deposit. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

During testing for the audit period, we noted fourteen out of sixty Extracurricular Activities Special Revenue receipts prepared for each activity, which total \$5,430 out of \$24,680 or 22% of the amount tested and nine out of sixty Extracurricular Activities Agency Fund receipts prepared for each activity, which total \$4,276 out of \$24,680 or 17% of the amount tested, were not deposited to the Treasurer's office or designated depository within one day of collection. Failure to deposit in compliance with the above provisions increases the District's exposure to loss or theft of these assets.

We recommend the receipts obtained for the District's Extracurricular Activities be deposited with the Treasurer's office within twenty-four hours after collection.

Finding Number	2005-003
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Bank Reconciliation *

Cash balances include cash in bank accounts and other imprest accounts such as payroll. Cash is an asset that is very susceptible to embezzlement and is considered a high risk asset because of its liquidity and its desirability. In order for the cash to be properly monitored and accounted for, most entities perform monthly bank reconciliations. This reconciliation verifies the cash balance reported in the general ledger agrees to the adjusted balance per the bank statement and it is also used to determine whether all cash receipts and disbursements have been properly recorded.

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2005-003
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Bank Reconciliation (Continued)

A review of the bank reconciliations noted unsupported book to bank variances. As of June 30, 2005 and June 30, 2004, the bank reconciliation disclosed an adjusted bank balance exceeding the adjusted book balance. Also, we noted the monthly payroll account was not reconciled for the audit period properly and the Treasurer was not initialing the payroll account reconciliations indicating they were reviewed and approved and the general account was not reviewed and approved by the Board.

We recommend the District's cash balances be reconciled on a monthly basis and all reconciling items contain adequate supporting documentation. Also, all cash receipts and disbursements should be posted to the general ledger at the time the transaction occurs. Furthermore, each month the reconciliation of the general account should be reviewed and approved by the Board, and the payroll account should be properly reconciled each month and should be reviewed and approved by the Treasurer.

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	ORC 5705.41(D)(1) Certification of Funds	No	Not Corrected, reissued as 2005-001
2003-002	ORC 9.38 Timely Deposit	No	Not Corrected, reissued as 2005-002
2003-003	Bank Reconciliation	No	Not Corrected, reissued as 2005-003



**Auditor of State
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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
APRIL 6, 2006**