



Mary Taylor, CPA
Auditor of State

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

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GEAUGA COUNTY**

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Mary Taylor, CPA

Auditor of State

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 Ledgemont Local School District, Geauga County, Ohio (the District), as of and for the years ended June 30, 2007 and June 30, 2006, 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 Ledgemont Local School District, Geauga County, Ohio, as of June 30, 2007 and June 30, 2006, and the respective changes in financial position thereof, and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008, 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's 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 29, 2008

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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, 2007. 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 include:

- Income tax revenues have increased due to the continuing audits and collection efforts of the Department of Taxation. With non-compliant residents receiving delinquent notification and collections being pursued, back taxes are being received by the Department of Taxation and distributed to the School District.
- Total revenues of \$6,197,407 were comprised of general revenues in the amount of \$5,490,273 or 88.6 percent and program specific revenues from charges for services, grants and contributions in the amount of \$707,134 or 11.4 percent.
- Total assets decreased by \$207,714. Capital assets, net of depreciation decreased by \$136,851 due to the annual depreciation. There were minimal expenditures for capital outlay in fiscal year 2007. Current and other assets decreased by \$70,863. This decrease was most apparent in the reduction of cash and equivalents from reduced cash balances.
- There was a decrease of \$68,986 in the general fund balance from fiscal year end 2006. 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.

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, 2007
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 8. 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, 2007
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 2007 compared to 2006:

(Table 1)
Net Assets

	Governmental Activities		
	2007	2006	Change
Assets			
Current and Other Assets	\$3,216,754	\$3,287,617	(\$70,863)
Capital Assets, Net	<u>1,589,530</u>	<u>1,726,381</u>	<u>(136,851)</u>
<i>Total Assets</i>	<u>4,806,284</u>	<u>5,013,998</u>	<u>(207,714)</u>
Liabilities			
Current and Other Liabilities	2,415,584	2,444,805	(29,221)
Long-Term Liabilities:			
Due Within One Year	32,337	28,528	3,809
Due in More than One Year	<u>266,752</u>	<u>253,319</u>	<u>13,433</u>
<i>Total Liabilities</i>	<u>2,714,673</u>	<u>2,726,652</u>	<u>(11,979)</u>
Net Assets			
Invested in Capital Assets	1,589,530	1,726,381	(136,851)
Restricted:			
Capital Projects	1,800	7,800	(6,000)
Debt Service	63,670	65,337	(1,667)
Set Asides	657,224	473,226	183,998
Other Purposes	229,885	191,204	38,681
Unrestricted (Deficit)	<u>(450,498)</u>	<u>(176,602)</u>	<u>(273,896)</u>
<i>Total Net Assets</i>	<u>\$2,091,611</u>	<u>\$2,287,346</u>	<u>(\$195,735)</u>

Total assets decreased by \$207,714. Capital assets net of depreciation decreased by \$136,851. Current and other assets decreased by \$70,863. This decrease was caused by reductions in other revenue and reductions in State funding due to decreased enrollment.

Current liabilities in governmental activities decreased by \$29,221 due to a decrease in deferred revenue and accrued wages in the general fund. Long-term liabilities increased by \$17,242 due in part to the outstanding liabilities incurred from the payments due for earned sick time to retirees.

Table 2 shows the net assets for fiscal year 2007. Total revenue increased by \$458,344. Total expenses decreased by \$152,366. Total expenses exceeded total revenue by \$195,735 which is reflected as a decrease in net assets at the end of the fiscal year.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

(Table 2)
Changes in Net Assets - Governmental Funds

	2007	2006	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$351,228	\$386,784	(\$35,556)
Operating Grants and Contributions	334,228	275,957	58,271
Capital Grants and Contributions	21,678	10,550	11,128
<i>Total Program Revenues</i>	<u>707,134</u>	<u>673,291</u>	<u>33,843</u>
<i>General Revenues</i>			
Property Taxes	2,075,875	1,785,041	290,834
Income Taxes	707,035	663,833	43,202
Grant and Entitlements not Restricted to Specific Programs	2,639,339	2,550,686	88,653
Investment Earnings	64,639	55,176	9,463
Miscellaneous	3,385	11,036	(7,651)
<i>Total General Revenues</i>	<u>5,490,273</u>	<u>5,065,772</u>	<u>424,501</u>
<i>Total Revenues</i>	<u>6,197,407</u>	<u>5,739,063</u>	<u>458,344</u>
Program Expenses			
Instruction:			
Regular	2,682,508	2,681,930	578
Special	1,052,407	1,150,900	(98,493)
Vocational	132,607	133,295	(688)
Support Services:			
Pupil	107,052	99,101	7,951
Instructional Staff	254,227	130,353	123,874
Board of Education	54,147	30,381	23,766
Administration	499,894	597,254	(97,360)
Fiscal	182,987	225,991	(43,004)
Operation and Maintenance of Plant	579,219	574,833	4,386
Pupil Transportation	514,526	592,174	(77,648)
Central	15,234	13,351	1,883
Extracurricular Activities	143,718	133,708	10,010
Operation of Non-Instructional Services:			
Food Service Operations	168,197	171,101	(2,904)
Other Non-Instructional Services	6,419	7,376	(957)
Interest and Fiscal Charges	0	3,760	(3,760)
<i>Total Program Expenses</i>	<u>6,393,142</u>	<u>6,545,508</u>	<u>(152,366)</u>
<i>Decrease in Net Assets</i>	(195,735)	(806,445)	610,710
<i>Net Assets Beginning of Year</i>	<u>2,287,346</u>	<u>3,093,791</u>	<u>(806,445)</u>
<i>Net Assets End of Year</i>	<u>\$2,091,611</u>	<u>\$2,287,346</u>	<u>(\$195,735)</u>

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

REVENUES

The main sources of revenue for the School District are the State of Ohio foundation payments, 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. Intergovernmental revenue provided 43 percent of the revenue received by the School District in 2007. The local property tax and income tax share was 45 percent of the total with 75 percent of that being generated from property tax payments made to the County Treasurer and 25 percent from the School District's income tax received and disbursed from the State of Ohio Department of Taxation.

EXPENSES

The School District was responsible for providing educational services for 731 eligible community members. Regular education expenses encompassed 69.4 percent of all instructional expenses. Special instruction costs equaled 27.2 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 3.4 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 60 percent of all expenses. Support services were 35 percent of expenses and provide services such as busing, building and grounds maintenance, administration, board of education, fiscal and other. Non-Instructional 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 in 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 generating the \$655,000 the State of Ohio Department of Taxation estimated collections should be. Audits have revealed between 15 and 19 percent of residents were 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 2007 and 2006.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$3,867,522	\$3,574,084	\$3,966,125	\$3,716,713
Support Services:				
Pupil and Instructional Staff	361,279	280,886	229,454	222,171
Board of Education, Administration, and Fiscal	737,028	654,072	853,626	692,247
Operation and Maintenance of Plant	579,219	563,382	574,833	556,496
Pupil Transportation	514,526	500,468	592,174	569,790
Central	15,234	10,234	13,351	8,351
Extracurricular Activities	143,718	110,061	133,708	96,075
Operation of Non-Instructional Services:				
Food Service Operations	168,197	6,277	171,101	7,475
Other Non-Instructional Services	6,419	(13,456)	7,376	(861)
Interest and Fiscal Charges	0	0	3,760	3,760
<i>Total Expenses</i>	<u>\$6,393,142</u>	<u>\$5,686,008</u>	<u>\$6,545,508</u>	<u>\$5,872,217</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 \$6,201,564 and expenditures of \$6,239,049.

The net change in fund balance for the year was most significant in the general fund. In fiscal year 2007, the net change in fund balance in the general fund was a decrease of \$68,986 due to an excess of expenditures over revenues.

Other governmental funds show an increase in fund balance of \$31,501. In fiscal year 2007, the net change in fund balance for the bond retirement debt service fund was zero. This change was the result of the School District retiring all debt liability.

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.

During the course of fiscal 2007, 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 \$5,604,466 representing a \$59,580 increase from the final budget estimates of \$5,544,886. The majority of this difference was from conservative real estate tax and state foundation estimates. The School District's general fund balance at fiscal year end was \$198,076.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The School District revises its budget throughout the fiscal year. During fiscal year 2007, there were no significant changes in expenditures. The changes that were made were due to conservative initial estimates. The School District controls the budget at the fund level.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007 the School District had \$1,589,530 invested in land, land improvements buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006. More detailed information is presented in Note 8 of the notes to the basic financial statements.

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

	Governmental Activities	
	2007	2006
Land	\$125,700	\$125,700
Land Improvements	141,873	149,474
Buildings and Improvements	1,121,296	1,212,415
Furniture and Equipment	63,259	83,687
Vehicles	137,402	155,105
Totals	\$1,589,530	\$1,726,381

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 minimal capital outlay expenditures and depreciation.

Debt

At June 30, 2007 the School District had no bonds outstanding. The School District's long-term obligations outstanding consist of compensated absences payable of \$299,089 and \$281,847 for fiscal years 2007 and 2006, respectively. More detailed information is presented in Note 12 of the notes to the basic financial statements.

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. 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.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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.

Ledgemont Local School District

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$640,692
Cash and Cash Equivalents With Fiscal Agents	738
Accounts Receivable	3,540
Inventory Held for Resale	3,948
Materials and Supplies Inventory	20,680
Property Taxes Receivable	2,192,997
Municipal Income Taxes Receivable	354,159
Nondepreciable Capital Assets	125,700
Depreciable Capital Assets	1,463,830
	<hr/>
<i>Total Assets</i>	4,806,284
	<hr/>
Liabilities	
Accrued Wages	481,252
Intergovernmental Payable	158,018
Matured Bonds and Interest Payable	738
Matured Compensated Absences Payable	3,403
Deferred Revenue	1,772,173
Long-Term Liabilities:	
Due Within One Year	32,337
Due in More Than One Year	266,752
	<hr/>
<i>Total Liabilities</i>	2,714,673
	<hr/>
Net Assets	
Invested in Capital Assets	1,589,530
Restricted for:	
Capital Projects	1,800
Debt Service	63,670
Set Asides	657,224
Other Purposes	229,885
Unrestricted (Deficit)	(450,498)
	<hr/>
<i>Total Net Assets</i>	\$2,091,611
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See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues			Net Revenue/(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	\$2,682,508	\$115,027	\$102,955	\$10,346	(\$2,454,180)
Special	1,052,407	27,784	33,699	0	(990,924)
Vocational	132,607	3,627	0	0	(128,980)
Support Services:					
Pupil	107,052	2,919	0	0	(104,133)
Instructional Staff	254,227	4,956	72,518	0	(176,753)
Board of Education	54,147	1,481	0	0	(52,666)
Administration	499,894	11,825	64,709	0	(423,360)
Fiscal	182,987	4,941	0	0	(178,046)
Operation and Maintenance of Plant	579,219	15,837	0	0	(563,382)
Pupil Transportation	514,526	2,726	0	11,332	(500,468)
Central	15,234	0	5,000	0	(10,234)
Extracurricular Activities	143,718	31,210	2,447	0	(110,061)
Operation of Non-Instructional Services:					
Food Service Operations	168,197	109,462	52,458	0	(6,277)
Other Non-Instructional Services	6,419	19,433	442	0	13,456
<i>Total Governmental Activities</i>	<u>\$6,393,142</u>	<u>\$351,228</u>	<u>\$334,228</u>	<u>\$21,678</u>	<u>(5,686,008)</u>
General Revenues					
					2,075,875
					707,035
					2,639,339
					64,639
					3,385
					<u>5,490,273</u>
					(195,735)
					<u>2,287,346</u>
					<u>\$2,091,611</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District

Balance Sheet

Governmental Funds

June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$0	\$324,353	\$324,353
Equity in Pooled Cash and Cash Equivalents With Fiscal Agents	0	738	738
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	316,339	0	316,339
Accounts Receivable	3,540	0	3,540
Interfund Receivable	10,268	0	10,268
Inventory Held for Resale	0	3,948	3,948
Materials and Supplies Inventory	19,884	796	20,680
Property Taxes Receivable	2,192,997	0	2,192,997
Income Taxes Receivable	354,159	0	354,159
<i>Total Assets</i>	<u>\$2,897,187</u>	<u>\$329,835</u>	<u>\$3,227,022</u>
Liabilities and Fund Balances			
Liabilities			
Accrued Wages	\$469,873	\$11,379	\$481,252
Interfund Payable	0	10,268	10,268
Intergovernmental Payable	147,897	10,121	158,018
Matured Bonds and Interest Payable	0	738	738
Matured Compensated Absences Payable	3,403	0	3,403
Deferred Revenue	1,835,232	0	1,835,232
<i>Total Liabilities</i>	<u>2,456,405</u>	<u>32,506</u>	<u>2,488,911</u>
Fund Balances			
Reserved for Encumbrances	118,263	3,067	121,330
Reserved for Property Taxes	357,765	0	357,765
Reserved for Textbooks	295,668	0	295,668
Reserved for Bus Purchases	11,332	0	11,332
Reserved for Capital Improvements	326,440	0	326,440
Reserved for Budget Stabilization	23,784	0	23,784
Unreserved:			
Undesignated, Reported in:			
General Fund (Deficit)	(692,470)	0	(692,470)
Special Revenue Funds	0	228,792	228,792
Debt Service Fund	0	63,670	63,670
Capital Projects Funds	0	1,800	1,800
<i>Total Fund Balances</i>	<u>440,782</u>	<u>297,329</u>	<u>738,111</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,897,187</u>	<u>\$329,835</u>	<u>\$3,227,022</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, 2007

Total Governmental Fund Balances	\$738,111
 <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.	1,589,530
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 delinquent property taxes.	63,059
Long-term liabilities payable, such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(299,089)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$2,091,611</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, 2007

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$2,080,032	\$0	\$2,080,032
Income Taxes	707,035	0	707,035
Intergovernmental	2,650,671	331,221	2,981,892
Interest	61,522	3,117	64,639
Tuition and Fees	154,929	18,186	173,115
Extracurricular Activities	0	54,100	54,100
Contributions and Donations	3,917	9,436	13,353
Charges for Services	0	121,828	121,828
Rentals	2,185	0	2,185
Miscellaneous	2,571	814	3,385
<i>Total Revenues</i>	<u>5,662,862</u>	<u>538,702</u>	<u>6,201,564</u>
Expenditures			
Current:			
Instruction:			
Regular	2,475,369	114,112	2,589,481
Special	1,014,210	33,949	1,048,159
Vocational	125,738	0	125,738
Support Services:			
Pupil	106,175	0	106,175
Instructional Staff	180,050	72,530	252,580
Board of Education	54,147	0	54,147
Administration	429,651	64,720	494,371
Fiscal	179,824	1,667	181,491
Operation and Maintenance of Plant	579,880	740	580,620
Pupil Transportation	482,155	0	482,155
Central	0	13,477	13,477
Extracurricular Activities	99,649	35,726	135,375
Operation of Non-Instructional Services:			
Food Service Operations	0	168,861	168,861
Other Non-Instructional Services	0	6,419	6,419
<i>Total Expenditures</i>	<u>5,726,848</u>	<u>512,201</u>	<u>6,239,049</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(63,986)</u>	<u>26,501</u>	<u>(37,485)</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>	<u>(68,986)</u>	<u>31,501</u>	<u>(37,485)</u>
<i>Fund Balances Beginning of Year</i>	<u>509,768</u>	<u>265,828</u>	<u>775,596</u>
<i>Fund Balances End of Year</i>	<u>\$440,782</u>	<u>\$297,329</u>	<u>\$738,111</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, 2007*

Net Change in Fund Balances - Total Governmental Funds (\$37,485)

*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 capital outlays exceeded depreciation in the current period.

Capital Asset Additions	10,886
Current Year Depreciation	<u>(147,585)</u>

Total (136,699)

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (152)

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. (4,157)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (17,242)

Change in Net Assets of Governmental Activities (\$195,735)

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, 2007

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$2,065,264	\$2,059,185	\$2,081,252	\$22,067
Income Taxes	650,658	648,743	655,695	6,952
Intergovernmental	2,630,309	2,622,565	2,650,671	28,106
Interest	61,049	60,870	61,522	652
Tuition and Fees	148,999	148,561	150,153	1,592
Contributions and Donations	414	413	417	4
Rentals	2,168	2,162	2,185	23
Miscellaneous	2,395	2,387	2,571	184
<i>Total Revenues</i>	<u>5,561,256</u>	<u>5,544,886</u>	<u>5,604,466</u>	<u>59,580</u>
Expenditures				
Current:				
Instruction:				
Regular	2,501,446	2,501,446	2,501,093	353
Special	1,126,115	1,136,519	1,134,866	1,653
Vocational	134,848	134,848	134,665	183
Support Services:				
Pupil	105,337	105,337	105,263	74
Instructional Staff	183,910	183,910	183,843	67
Board of Education	57,138	57,138	57,109	29
Administration	431,982	431,982	431,854	128
Fiscal	192,021	192,021	191,981	40
Operation and Maintenance of Plant	585,358	585,358	580,877	4,481
Pupil Transportation	481,122	481,122	480,882	240
Extracurricular Activities	96,043	96,061	95,990	71
<i>Total Expenditures</i>	<u>5,895,320</u>	<u>5,905,742</u>	<u>5,898,423</u>	<u>7,319</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(334,064)</u>	<u>(360,856)</u>	<u>(293,957)</u>	<u>66,899</u>
Other Financing Uses				
Advances Out	(204)	(204)	0	204
Transfers Out	(10,200)	(5,000)	(5,000)	0
<i>Total Other Financing Uses</i>	<u>(10,404)</u>	<u>(5,204)</u>	<u>(5,000)</u>	<u>204</u>
<i>Net Change in Fund Balance</i>	(344,468)	(366,060)	(298,957)	67,103
<i>Fund Balance Beginning of Year</i>	366,059	366,059	366,059	0
Prior Year Encumbrances Appropriated	130,974	130,974	130,974	0
<i>Fund Balance End of Year</i>	<u>\$152,565</u>	<u>\$130,973</u>	<u>\$198,076</u>	<u>\$67,103</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$32,707</u></u>
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Liabilities

Due to Students	<u><u>\$32,707</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, 2007

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 29 classified employees, 43 certificated full-time and part-time teaching personnel, 3 administrators and 4 specialists who provide services to 731 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 13 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, 2007

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. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however has no business-type activities.

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 two 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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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

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 funds account for student activities and the Pell Grant.

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.

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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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, 2007, but which were levied to finance fiscal year 2008 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 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 passed by the Board of Education.

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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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 2007 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, 2007.

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 2007 amounted to \$61,522 which includes \$29,607 assigned from other School District funds.

The School District utilizes a financial institution to service bonded debt as principal and interest come due. The balance of this account is presented as "Cash and Cash Equivalents with Fiscal Agents."

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 15 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.

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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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 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

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.

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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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 \$952,579, none of which 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, bus purchases, 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. Internal Activity

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. 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. Neither type of transaction occurred during fiscal year 2007.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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 – Fund Deficits

At June 30, 2007, the following funds have deficit fund balances:

Special Revenue Funds:	
Title VI-B	\$11,864
Title I	315
Drug Free Schools Grant	10

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.

Note 4 - 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).

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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	(\$68,986)
Net Adjustment for Revenue Accruals	(58,396)
Net Adjustment for Expenditure Accruals	(53,312)
Adjustment for Encumbrances	<u>(118,263)</u>
Budget Basis	<u><u>(\$298,957)</u></u>

Note 5 - 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 bills, bonds, notes 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;
4. Bonds and other obligations of the State of Ohio;

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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);
7. The State Treasurer's investment pool (STAROhio); and
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.

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, \$374,488 of the School District's bank balance of \$484,830 was uninsured and uncollateralized. 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, 2007, the School District had the following investments. All investments are in an internal investment pool.

	Carrying and Fair Value	Maturity
Repurchase Agreement	\$131,354	July 1, 2007
STAROhio	143,726	Average 33 Days
<i>Totals</i>	\$275,080	

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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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 Federal National Mortgage Association Note which carries a credit rating of A-1+ with Standard and Poor's. STAR Ohio 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 addresses credit risk.

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, 2007:

<u>Investment</u>	<u>Percentage of Investments</u>
Repurchase Agreement	47.75 %
STAROhio	52.25

Note 6 – Receivables

Receivables at June 30, 2007, consisted of taxes, accounts (rent and student fees) and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables are expected to be received within one year.

A. 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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. 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, 2007, are available to finance fiscal year 2007 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, 2007 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, 2007 was \$357,765 in the general fund. The amount available as an advance at June 30, 2006 was \$358,985 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 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$92,634,250	93.01 %	\$94,651,230	92.79 %
Public Utility	3,767,320	3.78	3,584,280	3.52
Tangible Personal Property	3,193,980	3.21	3,768,140	3.69
	<u>\$99,595,550</u>	<u>100.00 %</u>	<u>\$102,003,650</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$55.31		\$51.20	

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

B. Income Taxes

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 seven year tax expiring at the end of 2008. 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 7 - 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 320.

B. Insurance

Medical, surgical, vision and dental insurance is offered to employees through United Healthcare 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 \$406.20 and \$1,025.25 for family per month.

Life insurance is offered to employees through Minnesota Life Insurance Company of Columbus, Ohio. The Superintendent receives \$187,666 coverage for \$22.52 per month; administrators, supervisors, certified, custodial and clerical employees receive \$50,000 for \$6.00 per month. All premiums are paid by the School District.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$125,700	\$0	\$0	\$125,700
<i>Capital Assets, being depreciated:</i>				
Land Improvements	615,100	0	0	615,100
Buildings and Improvements	4,774,249	0	0	4,774,249
Furniture and Equipment	931,520	10,886	(18,695)	923,711
Vehicles	558,365	0	0	558,365
<i>Total Capital Assets, being depreciated</i>	<u>6,879,234</u>	<u>10,886</u>	<u>(18,695)</u>	<u>6,871,425</u>
Less Accumulated Depreciation:				
Land Improvements	(465,626)	(7,601)	0	(473,227)
Buildings and Improvements	(3,561,834)	(91,119)	0	(3,652,953)
Furniture and Equipment	(847,833)	(31,162)	18,543	(860,452)
Vehicles	(403,260)	(17,703)	0	(420,963)
<i>Total Accumulation Depreciation</i>	<u>(5,278,553)</u>	<u>(147,585) *</u>	<u>18,543</u>	<u>(5,407,595)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>1,600,681</u>	<u>(136,699)</u>	<u>(152)</u>	<u>1,463,830</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,726,381</u>	<u>(\$136,699)</u>	<u>(\$152)</u>	<u>\$1,589,530</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$94,167
Special	2,763
Support Services:	
Pupil	358
Instructional Staff	520
Administration	2,878
Fiscal	707
Operation and Maintenance of Plant	372
Pupil Transportation	32,834
Central	1,704
Extracurricular Activities	8,343
Food Service Operations	2,939
Total Depreciation Expense	<u><u>\$147,585</u></u>

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

Note 9 - 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 2007, 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	\$13,358,345
	Extra Expense Coverage	1,000,000
	Valuable Papers	100,000
	Inland Marine Coverage	419,338
Ohio Casualty Insurance	Crime Insurance	250,000
Travelers Insurance Company	Boiler and Machinery	30,000,000
	Consequential Loss	100,000
	Expediting Expenses	100,000
	Hazardous Substance	100,000
	Ammonia Contamination	100,000
	Water Damage	100,000
	Media	25,000
	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	2,000,000

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.

Note 10 - 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2007, 10.68 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$74,483, \$72,526 and \$73,541 respectively; 55.99 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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 Web site 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 of 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, 2007, 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. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. 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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$260,470, \$277,973, and \$270,305 respectively; 75.42 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$6,976 made by the School District and \$9,924 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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, all the members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$20,036 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$37,172.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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 the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

Note 12 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 06/30/06	Additions	Reductions	Principal Outstanding 06/30/07	Amount Due in One Year
Compensated Absences	\$281,847	\$72,068	\$54,826	\$299,089	\$32,337

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 \$8,708,494 with an unvoted debt margin of \$96,761 at June 30, 2007.

Note 13 - 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 2007, no fees were paid to the Association. 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 2007, no fees were paid to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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 2007, 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 2007, 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 2007, 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 14 - 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, 2007.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2007

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 15 – 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, 2007, 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	Textbooks	Capital Improvements
Set Aside Reserve Balance as of June 30, 2006	\$23,784	\$209,136	\$235,756
Current Year Set-Aside Requirement	0	95,002	95,002
Qualifying Disbursements	0	(8,470)	(4,318)
Totals	\$23,784	\$295,668	\$326,440
Set-Aside Reserve Balance as of June 30, 2007 and Carried Forward to Future Fiscal Years	\$23,784	\$295,668	\$326,440

The total reserve balance for the three set-asides at the end of the fiscal year was \$645,892. Due to the economic conditions at the School District, there was not enough restricted cash to cover the reserve. Restricted cash in the general fund is \$316,339.

Note 16 – Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at June 30, 2007, 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. This loan was made to support programs and projects in the title VI-B special revenue fund pending the receipt of grant money that will be used to repay the loan.

B. Interfund Transfers

The only transfer made during fiscal year 2007 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, 2006
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, 2006. 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2006 include:

- Income tax collections continue to be below the State of Ohio Department of Taxation's estimates. An audit performed by the State of Ohio Department of Taxation has revealed between 15 and 19 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 in excess of \$400,000. Ongoing audits are being performed to identify delinquencies and the collection of delinquent taxes is being pursued.
- Total revenues of \$5,739,063 were comprised of general revenues in the amount of \$5,065,772 or 88.3 percent and program specific revenues from charges for services, grants and contributions in the amount of \$673,291 or 11.7 percent.
- Total assets decreased by \$311,962. Capital assets, net of depreciation decreased by \$162,941 due to the annual depreciation. There were no expenditures for capital outlay in fiscal year 2006. Current and other assets decreased by \$149,021. 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 \$617,680 in the general fund balance from fiscal year end 2005. 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.

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, 2006
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 44. 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*.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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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 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities		
	2006	2005	Change
Assets			
Current and Other Assets	\$3,287,617	\$3,436,638	(\$149,021)
Capital Assets, Net	<u>1,726,381</u>	<u>1,889,322</u>	<u>(162,941)</u>
<i>Total Assets</i>	<u>5,013,998</u>	<u>5,325,960</u>	<u>(311,962)</u>
Liabilities			
Current and Other Liabilities	2,444,805	1,878,799	566,006
Long-Term Liabilities:			
Due Within One Year	28,528	77,852	(49,324)
Due in More than One Year	<u>253,319</u>	<u>275,518</u>	<u>(22,199)</u>
<i>Total Liabilities</i>	<u>2,726,652</u>	<u>2,232,169</u>	<u>494,483</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,726,381	1,834,322	(107,941)
Restricted:			
Capital Projects	7,800	13,680	(5,880)
Debt Service	65,337	124,097	(58,760)
Set Asides	473,226	284,368	188,858
Other Purposes	191,204	202,694	(11,490)
Unrestricted (Deficit)	<u>(176,602)</u>	<u>634,630</u>	<u>(811,232)</u>
<i>Total Net Assets</i>	<u>\$2,287,346</u>	<u>\$3,093,791</u>	<u>(\$806,445)</u>

Total assets decreased by \$311,962. Capital assets net of depreciation decreased by \$162,941. Current and other assets decreased by \$149,021. 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 increased by \$566,006 due to an increase in deferred revenue and accrued wages in the general fund. Long-term liabilities decreased by \$71,523 due in part to the paying off of the long-term debt.

Table 2 shows the net assets for fiscal year 2006. Total revenue decreased by \$419,958 or 6.82 percent. Total expenses increased \$365,121 or 5.91 percent. Total expenses exceeded total revenue by \$806,445 which is reflected in net assets at the end of the year.

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(Table 2)
Changes in Net Assets - Governmental Funds

	2006	2005	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$386,784	\$416,125	(\$29,341)
Operating Grants and Contributions	275,957	316,357	(40,400)
Capital Grants and Contributions	10,550	123,585	(113,035)
<i>Total Program Revenues</i>	<u>673,291</u>	<u>856,067</u>	<u>(182,776)</u>
<i>General Revenues</i>			
Property Taxes	1,785,041	2,349,174	(564,133)
Income Taxes	663,833	509,297	154,536
Grant and Entitlements not Restricted to Specific Programs	2,550,686	2,367,295	183,391
Investment Earnings	55,176	36,047	19,129
Miscellaneous	11,036	41,141	(30,105)
<i>Total General Revenues</i>	<u>5,065,772</u>	<u>5,302,954</u>	<u>(237,182)</u>
<i>Total Revenues</i>	<u>5,739,063</u>	<u>6,159,021</u>	<u>(419,958)</u>
Program Expenses			
Instruction:			
Regular	2,681,930	2,638,370	43,560
Special	1,150,900	870,109	280,791
Vocational	133,295	131,279	2,016
Support Services:			
Pupil	99,101	87,613	11,488
Instructional Staff	130,353	227,645	(97,292)
Board of Education	30,381	26,306	4,075
Administration	597,254	527,479	69,775
Fiscal	225,991	194,873	31,118
Operation and Maintenance of Plant	574,833	565,760	9,073
Pupil Transportation	592,174	560,977	31,197
Central	13,351	12,765	586
Extracurricular Activities	133,708	146,143	(12,435)
Operation of Non-Instructional Services:	7,376	5,146	2,230
Food Service Operations	171,101	174,462	(3,361)
Interest and Fiscal Charges	3,760	11,460	(7,700)
<i>Total Program Expenses</i>	<u>6,545,508</u>	<u>6,180,387</u>	<u>365,121</u>
<i>Decrease in Net Assets</i>	(806,445)	(21,366)	(785,079)
<i>Net Assets Beginning of Year</i>	<u>3,093,791</u>	<u>3,115,157</u>	<u>(21,366)</u>
<i>Net Assets End of Year</i>	<u>\$2,287,346</u>	<u>\$3,093,791</u>	<u>(\$806,445)</u>

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

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special programs and tuition received from other school districts to educate their students through open enrollment. Intergovernmental revenue provided 49 percent of the revenue received by the School District in 2006. The local share was 43 percent with 31 percent being generated from property tax payments made to the County Treasurer and 12 percent from the School District's income tax received and disbursed from the State of Ohio Department of Taxation.

EXPENSES

The School District was responsible for providing educational services for 720 eligible community members. Regular education expenses encompassed 67.6 percent of all instructional expenses. Special instruction costs equaled 29 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 3.4 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 61 percent of all expenses. Support services were 35 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 4 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 \$664,000 the State of Ohio Department of Taxation estimated collections should be. Audits have revealed between 15 and 19 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 2006 and 2005.

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

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$3,966,125	\$3,716,713	\$3,639,758	\$3,329,475
Support Services:				
Pupil and Instructional Staff	229,454	222,171	315,258	220,689
Board of Education, Administration, and Fiscal	853,626	692,247	748,658	678,286
Operation and Maintenance of Plant	574,833	556,496	565,760	544,340
Pupil Transportation	592,174	569,790	560,977	424,882
Central	13,351	8,351	12,765	7,765
Extracurricular Activities	133,708	96,075	146,143	106,102
Operation of Non-Instructional Services:				
Food Service Operations	171,101	7,475	174,462	1,190
Other Non-Instructional Services	7,376	(861)	5,146	131
Interest and Fiscal Charges	3,760	3,760	11,460	11,460
<i>Total Expenses</i>	<u>\$6,545,508</u>	<u>\$5,872,217</u>	<u>\$6,180,387</u>	<u>\$5,324,320</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 \$5,760,014 and expenditures of \$6,454,180.

The net change in fund balance for the year was most significant in the general fund. In fiscal year 2006, the net change in fund balance in the general fund was a decrease of \$617,680. The largest part of this change was from an increase in regular instruction and special instruction expenditures of \$43,560 and \$280,791 respectively. The regular instruction increase was offset by staff retirements. The change was due also in part to a substantially decreased real estate advance in July.

Other governmental funds show a decrease in fund balance of \$76,486. In fiscal year 2006, the net change in fund balance for the bond retirement debt service fund was a decrease of \$58,850. This change was the result of reducing the School District's overall debt liability.

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.

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During the course of fiscal 2006, 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 \$5,530,816 representing a \$268,166 decrease from the final budget estimates of \$5,798,982. 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 \$366,059.

The School District revises its budget throughout the fiscal year. During fiscal year 2006, the significant change in expenditures was in the area of special instruction. This change was due to conservative initial estimates. The School District controls the budget at the fund level.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006 the School District had \$1,726,381 invested in land, land improvements buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005. More detailed information is presented in Note 11 of the notes to the basic financial statements.

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

	Governmental Activities	
	2006	2005
Land	\$125,700	\$125,700
Land Improvements	149,474	157,075
Buildings and Improvements	1,212,415	1,308,801
Furniture and Equipment	83,687	122,721
Vehicles	155,105	175,025
Totals	\$1,726,381	\$1,889,322

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 zero and depreciation of \$162,941.

Debt

At June 30, 2006 the School District had no 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.

Ledgemont Local School District
Management's Discussion and Analysis
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(Table 5)
Outstanding Long-Term Obligations

	Governmental Activities	
	2006	2005
Classroom Facilities Bond	\$0	\$55,000
Compensated Absences	281,847	298,370
Totals	\$281,847	\$353,370

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 was 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.

Ledgemont Local School District

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$778,218
Cash and Cash Equivalents With Fiscal Agents	738
Intergovernmental Receivable	8,615
Inventory Held for Resale	3,010
Materials and Supplies Inventory	24,468
Property Taxes Receivable	2,169,749
Municipal Income Taxes Receivable	302,819
Nondepreciable Capital Assets	125,700
Depreciable Capital Assets	1,600,681
	<hr/>
<i>Total Assets</i>	5,013,998
	<hr/>
Liabilities	
Accrued Wages	491,542
Intergovernmental Payable	162,679
Matured Bonds and Interest Payable	738
Matured Compensated Absences Payable	46,298
Deferred Revenue	1,743,548
Long-Term Liabilities:	
Due Within One Year	28,528
Due in More Than One Year	253,319
	<hr/>
<i>Total Liabilities</i>	2,726,652
	<hr/>
Net Assets	
Invested in Capital Assets	1,726,381
Restricted for:	
Capital Projects	7,800
Debt Service	65,337
Set Asides	473,226
Other Purposes	191,204
Unrestricted (Deficit)	(176,602)
	<hr/>
<i>Total Net Assets</i>	\$2,287,346
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net Revenue/(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	\$2,681,930	\$130,321	\$29,884	\$6,000	(\$2,515,725)
Special	1,150,900	35,473	43,464	0	(1,071,963)
Vocational	133,295	4,270	0	0	(129,025)
Support Services:					
Pupil	99,101	3,140	0	0	(95,961)
Instructional Staff	130,353	4,143	0	0	(126,210)
Board of Education	30,381	973	0	0	(29,408)
Administration	597,254	14,572	138,618	0	(444,064)
Fiscal	225,991	7,216	0	0	(218,775)
Operation and Maintenance of Plant	574,833	18,330	7	0	(556,496)
Pupil Transportation	592,174	17,834	0	4,550	(569,790)
Central	13,351	0	5,000	0	(8,351)
Extracurricular Activities	133,708	34,554	3,079	0	(96,075)
Operation of Non-Instructional Services:					
Food Service Operations	171,101	107,817	55,809	0	(7,475)
Other Non-Instructional Services	7,376	8,141	96	0	861
Interest and Fiscal Charges	3,760	0	0	0	(3,760)
<i>Total Governmental Activities</i>	<u>\$6,545,508</u>	<u>\$386,784</u>	<u>\$275,957</u>	<u>\$10,550</u>	<u>(5,872,217)</u>

General Revenues

Property Taxes Levied for General Purposes	1,785,041
Income Taxes Levied for General Purposes	663,833
Grants and Entitlements not Restricted to Specific Programs	2,550,686
Investment Earnings	55,176
Miscellaneous	11,036
<i>Total General Revenues</i>	<u>5,065,772</u>
Change in Net Assets	(806,445)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>3,093,791</u>
<i>Net Assets End of Year</i>	<u>\$2,287,346</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District

Balance Sheet

Governmental Funds

June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$17,636	\$287,356	\$304,992
Equity in Pooled Cash and Cash Equivalents With Fiscal Agent	0	738	738
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	473,226	0	473,226
Intergovernmental Receivable	0	8,615	8,615
Interfund Receivable	10,268	0	10,268
Inventory Held for Resale	0	3,010	3,010
Materials and Supplies Inventory	23,868	600	24,468
Property Taxes Receivable	2,169,749	0	2,169,749
Municipal Income Taxes Receivable	302,819	0	302,819
<i>Total Assets</i>	\$2,997,566	\$300,319	\$3,297,885
Liabilities and Fund Balances			
Liabilities			
Accrued Wages	\$480,470	\$11,072	\$491,542
Interfund Payable	0	10,268	10,268
Intergovernmental Payable	150,266	12,413	162,679
Matured Bonds and Interest Payable	0	738	738
Matured Compensated Absences Payable	46,298	0	46,298
Deferred Revenue	1,810,764	0	1,810,764
<i>Total Liabilities</i>	2,487,798	34,491	2,522,289
Fund Balances			
Reserved for Encumbrances	130,974	3,920	134,894
Reserved for Property Taxes	358,985	0	358,985
Reserved for Textbooks	209,136	0	209,136
Reserved for Bus Purchases	4,550	0	4,550
Reserved for Capital Improvements	235,756	0	235,756
Reserved for Budget Stabilization	23,784	0	23,784
Unreserved:			
Undesignated, Reported in:			
General Fund (Deficit)	(453,417)	0	(453,417)
Special Revenue Funds	0	188,771	188,771
Debt Service Fund	0	65,337	65,337
Capital Projects Funds	0	7,800	7,800
<i>Total Fund Balances</i>	509,768	265,828	775,596
<i>Total Liabilities and Fund Balances</i>	\$2,997,566	\$300,319	\$3,297,885

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, 2006

Total Governmental Fund Balances	\$775,596
 <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.	1,726,381
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 delinquent property taxes.	67,216
Long-term liabilities payable, such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(281,847)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$2,287,346</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, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,805,992	\$0	\$1,805,992
Municipal Income Taxes	663,833	0	663,833
Intergovernmental	2,555,236	269,207	2,824,443
Interest	52,499	2,677	55,176
Tuition and Fees	165,019	20,392	185,411
Extracurricular Activities	12,587	70,569	83,156
Contributions and Donations	1,511	11,239	12,750
Charges for Services	0	107,817	107,817
Rentals	10,400	0	10,400
Miscellaneous	11,036	0	11,036
<i>Total Revenues</i>	<u>5,278,113</u>	<u>481,901</u>	<u>5,760,014</u>
Expenditures			
Current:			
Instruction:			
Regular	2,502,070	94,683	2,596,753
Special	1,115,591	40,156	1,155,747
Vocational	142,222	0	142,222
Support Services:			
Pupil	97,569	0	97,569
Instructional Staff	129,094	0	129,094
Board of Education	30,381	0	30,381
Administration	437,138	138,534	575,672
Fiscal	223,887	0	223,887
Operation and Maintenance of Plant	561,062	14,531	575,593
Pupil Transportation	555,809	0	555,809
Central	0	13,461	13,461
Extracurricular Activities	90,970	34,395	125,365
Operation of Non-Instructional Services:			
Food Service Operations	0	168,325	168,325
Other Non-Instructional Services	0	5,452	5,452
Debt Service:			
Principal Retirement	0	55,000	55,000
Interest and Fiscal Charges	0	3,850	3,850
<i>Total Expenditures</i>	<u>5,885,793</u>	<u>568,387</u>	<u>6,454,180</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(607,680)</u>	<u>(86,486)</u>	<u>(694,166)</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>	(617,680)	(76,486)	(694,166)
<i>Fund Balances Beginning of Year</i>	<u>1,127,448</u>	<u>342,314</u>	<u>1,469,762</u>
<i>Fund Balances End of Year</i>	<u>\$509,768</u>	<u>\$265,828</u>	<u>\$775,596</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, 2006*

Net Change in Fund Balances - Total Governmental Funds (\$694,166)

*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.

Depreciation (162,941)

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.

(20,951)

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, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

16,523

Change in Net Assets of Governmental Activities

(\$806,445)

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, 2006

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,176,191	\$2,221,426	\$2,118,671	(\$102,755)
Municipal Income Taxes	620,243	633,135	603,849	(29,286)
Intergovernmental	2,624,608	2,679,164	2,555,236	(123,928)
Interest	53,924	55,045	52,499	(2,546)
Tuition and Fees	169,499	173,022	165,019	(8,003)
Extracurricular Activities	12,937	13,206	12,595	(611)
Contributions and Donations	10,682	10,904	1,511	(9,393)
Rentals	1,552	1,584	10,400	8,816
Miscellaneous	11,294	11,496	11,036	(460)
<i>Total Revenues</i>	<u>5,680,930</u>	<u>5,798,982</u>	<u>5,530,816</u>	<u>(268,166)</u>
Expenditures				
Current:				
Instruction:				
Regular	2,486,877	2,464,943	2,464,943	0
Special	1,032,057	1,199,961	1,199,961	0
Vocational	136,441	129,992	129,992	0
Support Services:				
Pupil	88,948	98,412	98,412	0
Instructional Staff	164,972	169,115	128,653	40,462
Board of Education	58,074	59,856	39,554	20,302
Administration	483,227	502,935	449,724	53,211
Fiscal	254,756	265,091	219,304	45,787
Operation and Maintenance of Plant	624,570	649,910	566,665	83,245
Pupil Transportation	676,494	703,975	554,010	149,965
Extracurricular Activities	113,341	117,951	90,306	27,645
<i>Total Expenditures</i>	<u>6,119,757</u>	<u>6,362,141</u>	<u>5,941,524</u>	<u>420,617</u>
<i>Excess of Revenues Under Expenditures</i>	(438,827)	(563,159)	(410,708)	152,451
Other Financing Uses				
Transfers Out	(10,000)	(10,000)	(10,000)	0
<i>Net Change in Fund Balance</i>	(448,827)	(573,159)	(420,708)	152,451
<i>Fund Balance Beginning of Year</i>	604,563	604,563	604,563	0
Prior Year Encumbrances Appropriated	182,204	182,204	182,204	0
<i>Fund Balance End of Year</i>	<u>\$337,940</u>	<u>\$213,608</u>	<u>\$366,059</u>	<u>\$152,451</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$30,690</u></u>
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Liabilities

Due to Students	<u><u>\$30,690</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, 2006

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 29 classified employees, 47 certificated full-time and part-time teaching personnel, 3 administrators and 4 specialists who provide services to 720 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, 2006

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. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however has no business-type activities.

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 two 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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

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

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 funds account for student activities and the Pell Grant.

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.

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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

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, 2006, but which were levied to finance fiscal year 2007 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 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 passed by the Board of Education.

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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

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 2006 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, 2006.

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 2006 amounted to \$52,499 which includes \$17,697 assigned from other School District funds.

The School District utilizes a financial institution to service bonded debt as principal and interest come due. The balance of this account is presented as "Cash and Cash Equivalents with Fiscal Agents."

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.

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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

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 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

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.

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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

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 \$737,567. 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, bus purchases, 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. Neither type of transaction occurred during fiscal year 2006.

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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

Note 3 - Change in Accounting Principles and Restatement of Prior Year Net Assets

A. Changes in Accounting Principles

For fiscal year 2006, the School District has implemented GASB Statement No. 47, "Accounting for Termination Benefits". GASB Statement No. 47 established standards of accounting and financial reporting for termination benefits.

The implementation of GASB Statement No. 47 did not materially affect the presentation of the financial statements of the School District.

B. Restatement of Net Assets

During 2006, it was determined that the amount in capital assets was understated by \$158,258. This restatement increased total net assets from \$2,935,533 to \$3,093,791 at June 30, 2005.

Note 4 – Fund Deficits

At June 30, 2006, the following funds have deficit fund balances:

Special Revenue Funds:	
Title VI-B	\$11,841
Title I	379
Drug Free Schools Grant	10
Reducing Class Size	244

The deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds 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).

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

4. Unrecorded cash represents amounts received but not reported by the School District on the operating statements (budget), but which is reported on the GAAP basis operating statements.

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	(\$617,680)
Net Adjustment for Revenue Accruals	252,703
Net Adjustment for Expenditure Accruals	69,068
Unrecorded Revenues	6,175
Adjustment for Encumbrances	<u>(130,974)</u>
Budget Basis	<u><u>(\$420,708)</u></u>

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;

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

3. Written repurchase agreements in the securities listed above provided;
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.

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, \$711,333 of the School District's bank balance of \$811,333 was uninsured and uncollateralized. 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, 2006, the School District had the following investments. All investments are in an internal investment pool.

	Carrying and Fair Value	Maturity
Repurchase Agreement	\$78,840	July 1, 2006
STAROhio	136,494	Average 33 Days
<i>Totals</i>	\$215,334	

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

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 Federal National Mortgage Association Note which carries a credit rating of A-1+ with Standard and Poor's. STAR Ohio 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.

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, 2006:

<u>Investment</u>	<u>Percentage of Investments</u>
Repurchase Agreement	36.61%
STAROhio	63.39%

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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. 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, 2006, are available to finance fiscal year 2006 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, 2006 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, 2006 was \$358,985 in the general fund. The amount available as an advance at June 30, 2005 was \$671,664 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 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$78,313,720	89.74 %	\$92,634,250	93.01 %
Public Utility	4,118,070	4.72	3,767,320	3.78
Tangible Personal Property	4,836,680	5.54	3,193,980	3.21
	<u>\$87,268,470</u>	<u>100.00 %</u>	<u>\$99,595,550</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$55.31		\$55.31	

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

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 seven year tax expiring at the end of 2008. 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, 2006, 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.

Intergovernmental receivables consist of food service in the amount of \$8,615.

Note 10 - 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 United Healthcare 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 Minnesota Life Insurance Company of Columbus, Ohio. The Superintendent receives \$187,666 coverage for \$22.52 per month; administrators, supervisors, certified, custodial and clerical employees receive \$50,000 for \$6.00 per month. All premiums are paid by the School District.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$125,700	\$0	\$0	\$125,700
<i>Capital Assets, being depreciated:</i>				
Land Improvements	615,100	0	0	615,100
Buildings and Improvements	4,774,249	0	0	4,774,249
Furniture and Equipment	931,520	0	0	931,520
Vehicles	558,365	0	0	558,365
<i>Total Capital Assets, being depreciated</i>	<u>6,879,234</u>	<u>0</u>	<u>0</u>	<u>6,879,234</u>
Less Accumulated Depreciation:				
Land Improvements	(458,025)	(7,601)	0	(465,626)
Buildings and Improvements	(3,465,448)	(96,386)	0	(3,561,834)
Furniture and Equipment	(808,799)	(39,034)	0	(847,833)
Vehicles	(383,340)	(19,920)	0	(403,260)
<i>Total Accumulation Depreciation</i>	<u>(5,115,612)</u>	<u>(162,941) *</u>	<u>0</u>	<u>(5,278,553)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>1,763,622</u>	<u>(162,941)</u>	<u>0</u>	<u>1,600,681</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,889,322</u>	<u>(\$162,941)</u>	<u>\$0</u>	<u>\$1,726,381</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$104,508
Special	3,271
Support Services:	
Pupil	1,063
Instructional Staff	1,013
Administration	3,785
Fiscal	706
Non-Instructional Services	1,924
Pupil Transportation	35,396
Extracurricular Activities	8,343
Food Service Operations	2,932
Total Depreciation Expense	<u><u>\$162,941</u></u>

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

Note 12 - 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 2006, 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	\$13,096,417
	Extra Expense Coverage	1,000,000
	Valuable Papers	100,000
	Inland Marine Coverage	419,746
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	25,000
	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	2,000,000

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.

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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

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, by calling (800) 878-5853, or by visiting the SERS website at ohsers.org.

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 2006, 10.58 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$72,526, \$73,541 and \$60,696 respectively; 37.60 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 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, 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 divided by 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 of 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, 2006, 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. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

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 STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$277,973, \$270,305, and \$255,624 respectively; 82.17 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,638 made by the School District and \$9,719 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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, 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 of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$21,383 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$39,828.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

Note 15 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Principal Outstanding 06/30/05	Additions	Reductions	Principal Outstanding 06/30/06	Amount Due in One Year
General Obligation Bonds:					
Classroom Facilities Bonds 1982, 14.0%	\$55,000	\$0	\$55,000	\$0	\$0
Compensated Absences	298,370	51,612	68,135	281,847	28,528
<i>Total General Long-Term Obligations</i>	<u>\$353,370</u>	<u>\$51,612</u>	<u>\$123,135</u>	<u>\$281,847</u>	<u>\$28,528</u>

The general obligation bonds was 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 \$8,589,548 with an unvoted debt margin of \$94,713 at June 30, 2006.

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 2006, no fees were paid to the Association. 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, 2006

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 2006, no fees were paid to the Council. Financial information can be obtained by contacting Kathleen T. Neal, 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 2006, 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 2006, 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 2006, 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, 2006

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, 2006.

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, 2006, 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	Textbooks	Capital Improvements
Set Aside Reserve Balance as of June 30, 2005	\$23,784	\$132,248	\$152,120
Current Year Set-Aside Requirement	0	89,240	89,240
Qualifying Disbursements	0	(12,352)	(5,604)
Totals	<u>\$23,784</u>	<u>\$209,136</u>	<u>\$235,756</u>
Set-Aside Reserve Balance as of June 30, 2006 and Carried Forward to Future Fiscal Years	<u>\$23,784</u>	<u>\$209,136</u>	<u>\$235,756</u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$468,676.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2006

Note 19 – Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at June 30, 2006, 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 2006 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 exceeded the grant limits.

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Mary Taylor, CPA

Auditor of State

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 Burrows 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 Ledgemont Local School District, Geauga County, Ohio (the District) as of and for the years ended June 30, 2007 and June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 29, 2008. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiencies described above are material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 29, 2008.

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 is described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 29, 2008.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 29, 2008

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007 AND JUNE 30, 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation and Significant Deficiency

Timely Deposits

Ohio Revised Code Section 9.38 provides that public money must be deposited by a public official other than a state officer, employee or agent, with the Treasurer of the public office or to a designated depository on the business day following the day of receipt if the total amount received exceeds \$1,000. 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 it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period.

During our testing throughout the audit period, we noted that: fourteen out of sixty Food Service receipts prepared for each activity (or \$4,146 out of \$14,161 of the amount tested), thirty-two out of sixty Extracurricular Revenue receipts prepared for each activity (or \$2,164 out of \$3,563 of the amount tested), and sixty-one out of ninety-eight Student Activity receipts prepared for each activity (or \$27,688 out of \$59,172 of the amount tested), were not deposited to the Treasurer's office or designated depository within one day of collection. Failure to deposit monies in compliance with the above provisions increases the District's exposure to loss or theft of these assets. It could also result in the activity being recorded on the accounting records and financial statements in the wrong fiscal year.

We recommend all receipts be deposited with the Treasurer's office within twenty-four hours after collection to ensure compliance with the Ohio Revised Code. We further recommend the Board adopt a policy through resolution regarding deposits of public monies.

Management's Response:

In a continuing effort to be in total compliance the following course of action will be pursued in regard to the timely deposit of funds received. A memo will be issued immediately outlining the proper procedures for depositing money with the Treasurer. This memo will also outline why funds need to be deposited within the timeline parameters set forth (immediately). It will also outline the penalties that will be incurred including non renewal of supplemental contracts if these procedures are not followed. Timely deposits will be strongly monitored at all levels. Once funds are received by the Treasurer's office deposits will be made in accordance with board policy and law.

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002

Noncompliance Citation and Significant Deficiency

Set-Asides and Reserve Balance Accounts

Ohio Revised Code Section 3315.17(A) sets forth requirements for a textbook and instructional material reserve that the District must establish. Each year the District must deposit into the reserve an amount equal to a formula calculated by the Ohio Department of Education as set forth by the Code section. These monies can only be spent on qualifying expenditures set forth by the code section. The section also states that any money in the fund that is not used in any fiscal year shall carry forward to the next fiscal year.

Ohio Revised Code Section 5705.13(A) sets forth requirements for utilizing or rescinding the budget stabilization reserve. If the District maintains the reserve the section states that money to the credit of a reserve balance account may be expended only for the purpose for which the account was established.

During fiscal year 2007, the District did not expend all of the required set-aside for the textbook reserve and did not rescind the budget stabilization reserve. Therefore both reserves had positive balances which are required to be carried forward to the next fiscal year. At June 30, 2007, the District did not have enough cash in the General Fund to cover the remaining reserve balances. This failure indicates that the required reserve was expended for purposes which are in violation of the above code sections.

We recommend the District set aside enough cash to meet the required reserves and monitor expenditures to ensure they are properly spent and rescind the budget stabilization reserve.

Management's Response:

Complete compliance and improved student instruction are two main goals within the District. As we struggle with increased financial deficits we also strive to provide the students with updated materials. It is imperative that the best fundamental education be provided while maintaining our high school excellent rating and the progress of our effective district rating to an excellent rating. We continue to purchase updated materials whenever and wherever possible. We have been successful in procuring newer edition texts through alternate means such as donations or reduced costs from larger Ohio school districts. We acknowledge the above citation and will work diligently to meet the required set aside reserve expenditures as funds become available.

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007 AND JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 5705.41(D)(1) Certification of Funds	No	Partially Corrected, issued in the management letter
2005-002	ORC 9.38 Timely Depositing	No	Not Corrected, reissued as finding 2007-001
2005-003	Bank Reconciliation	Yes	Corrective action taken, no differences noted between book and bank balances



Mary Taylor, CPA
Auditor of State

LEDGEMONT LOCAL SCHOOL DISTRICT

GEAUGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2008**