



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, 2009 and June 30, 2008, 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, 2009 and June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 20 for the fiscal year ended June 30, 2009, the District was placed in fiscal caution effective February 23, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2010, 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

March 1, 2010

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The discussion and analysis of Ledgemont Local School District's (the School District) 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, 2009. 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 2009 include:

- Total assets for fiscal year 2009 decreased mainly due to a decrease in income taxes resulting from failure to renew the income tax levy for current operating expenses at the May 5, 2009 election.
- General revenues accounted for 90.80 percent of all revenues, with intergovernmental revenues representing the largest share of those revenues. Specific program revenues in the form of charges for services and sales, operating and capital grants, contributions, investment earnings, gain on the sale of capital asset and miscellaneous revenue, accounted for the remainder of all revenues.
- Overall expenses increased during 2009 due to increases in salaries and benefits and utility costs. Only \$861,286 of the School District's expenses was offset by program specific charges for services and sales, operating and capital grants and contributions. Although general revenues were not adequate alone to provide for these programs during fiscal year 2009, management is committed to continue to provide the best education to students in the School District.
- There was a decrease of \$123,922 in the general fund balance from fiscal year 2008 due to general fund expenditures exceeding revenues.

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, 2009
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. Most 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.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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 2009 compared to 2008:

(Table 1)
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and Other Assets	\$2,871,975	\$3,004,364	(\$132,389)
Capital Assets, Net	1,307,417	1,450,774	(143,357)
<i>Total Assets</i>	<u>4,179,392</u>	<u>4,455,138</u>	<u>(275,746)</u>
Liabilities			
Current and Other Liabilities	2,240,625	2,327,450	86,825
Long-Term Liabilities:			
Due Within One Year	27,240	51,888	24,648
Due in More than One Year	346,997	340,824	(6,173)
<i>Total Liabilities</i>	<u>2,614,862</u>	<u>2,720,162</u>	<u>105,300</u>
Net Assets			
Invested in Capital Assets	1,307,417	1,450,774	(143,357)
Restricted:			
Capital Projects	29,822	23,366	6,456
Debt Service	63,670	63,670	0
Set Asides	1,014,445	832,296	182,149
Other Purposes	166,413	134,658	31,755
Unrestricted (Deficit)	<u>(1,017,237)</u>	<u>(769,788)</u>	<u>(247,449)</u>
Total Net Assets	<u><u>\$1,564,530</u></u>	<u><u>\$1,734,976</u></u>	<u><u>(\$170,446)</u></u>

Total net assets decreased by 9.82 percent which can be attributed mainly to taxes receivable. This decrease was caused by a reduction in income tax due to a failure to renew a five-year income tax levy on the May 5, 2009 ballot. Furthermore, a decrease in property taxes due to the reduction in assessed valuation and also materials and supplies inventory contributed to the overall decrease in total assets.

Current liabilities in governmental activities decreased due to a decrease in deferred revenue and intergovernmental payables. Long-term liabilities decreased due to fewer staff retiring in fiscal year 2009.

Table 2 shows the net assets for fiscal year 2009. Total revenues increased due to additions to grants received during the fiscal year and fees charged for customer services and sales. This increase offsets a \$74,153 decrease in general revenues caused by a decrease in income and property taxes and interest income.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

(Table 2)
Changes in Net Assets - Governmental Funds

	2009	2008	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$382,431	\$268,580	\$113,851
Operating Grants and Contributions	463,899	325,451	138,448
Capital Grants and Contributions	14,956	20,534	(5,578)
<i>Total Program Revenues</i>	<u>861,286</u>	<u>614,565</u>	<u>246,721</u>
<i>General Revenues</i>			
Property Taxes	1,965,919	2,022,332	(56,413)
Income Taxes	554,316	700,199	(145,883)
Grant and Entitlements not Restricted to Specific Programs	2,747,694	2,591,086	156,608
Investment Earnings	13,505	42,710	(29,205)
Gain on Sale of Capital Asset	1,600	566	1,034
Miscellaneous	945	1,239	(294)
<i>Total General Revenues</i>	<u>5,283,979</u>	<u>5,358,132</u>	<u>(74,153)</u>
<i>Total Revenues</i>	<u>6,145,265</u>	<u>5,972,697</u>	<u>172,568</u>
Program Expenses			
Instruction:			
Regular	2,898,109	2,678,182	(219,927)
Special	884,072	1,134,999	250,927
Vocational	144,877	138,369	(6,508)
Support Services:			
Pupil	108,397	106,586	(1,811)
Instructional Staff	100,929	110,198	9,269
Board of Education	18,323	19,452	1,129
Administration	546,931	445,656	(101,275)
Fiscal	185,483	263,376	77,893
Operation and Maintenance of Plant	587,073	549,013	(38,060)
Pupil Transportation	480,032	502,873	22,841
Central	21,849	15,273	(6,576)
Extracurricular Activities	137,758	146,943	9,185
Operation of Non-Instructional Services:			
Food Service Operations	186,515	162,880	(23,635)
Other Non-Instructional Services	15,363	9,232	(6,131)
<i>Total Program Expenses</i>	<u>6,315,711</u>	<u>6,283,032</u>	<u>(32,679)</u>
<i>Decrease in Net Assets</i>	(170,446)	(310,335)	139,889
<i>Net Assets Beginning of Year</i>	<u>1,734,976</u>	<u>2,045,311</u>	<u>(310,335)</u>
<i>Net Assets End of Year</i>	<u><u>\$1,564,530</u></u>	<u><u>\$1,734,976</u></u>	<u><u>(\$170,446)</u></u>

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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. In fiscal year 2009, increases in charges for services and sales and grants made up for declines in property and income taxes and investment earnings. Increases in grants are due to additional grant money received in fiscal year 2009 in the Title VI-B, Title I and Reducing Class Size special revenue funds. Increases in charges for services and sales are mainly due to increases in breakfast and lunch fees.

EXPENSES

The School District was responsible for providing educational services for 649 eligible community members. Instruction expenses are comprised of regular, special and vocational instruction expenses. Although regular and vocational instruction expenses increased, special instruction expenses decreased for a net increase of only \$24,492. Vocational education programs such as living skills and occupational work programs are offered to the entire student population.

Total expenses are comprised of two main areas, instruction and support services. Support services are comprised of many subsections. Instructional costs made up 62.6 percent of all expenses. Support services were 32.0 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 5.4 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 revenues 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. The School District income tax estimates and audits are based on the State income tax filings.

The School District placed a 1.25 percent five-year income tax levy on the ballot November 4, 2008 in an effort to replace the current .75 percent five-year income tax levy that expired December 31, 2009. The new levy would raise \$1,000,000 on an annual basis. The levy failed. The School District then placed another 1.25 percent five-year income tax levy on the May 5, 2009 ballot in order to replace the expired income tax levy. This levy failed in the May 5, 2009 election leaving the School District with potential shortfalls in fiscal year 2009 and the future. Property tax revenues decreased in fiscal year 2009 compared to fiscal year 2008 due to the decrease in assessed valuation.

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.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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 fiscal year 2009 and the prior fiscal year.

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

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$3,927,058	\$3,549,850	\$3,951,550	\$3,692,491
Support Services:				
Pupil and Instructional Staff	209,326	197,934	216,784	209,599
Board of Education, Administration, and Fiscal	750,737	580,692	728,484	626,673
Operation and Maintenance of Plant	587,073	545,756	549,013	530,647
Pupil Transportation	480,032	448,239	502,873	478,297
Central	21,849	16,849	15,273	10,273
Extracurricular Activities	137,758	101,617	146,943	114,581
Operation of Non-Instructional Services:				
Food Service Operations	186,515	3,433	162,880	3,239
Other Non-Instructional Services	15,363	10,055	9,232	2,667
<i>Total Expenses</i>	<u>\$6,315,711</u>	<u>\$5,454,425</u>	<u>\$6,283,032</u>	<u>\$5,668,467</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 \$6,096,777 and expenditures of \$6,190,829.

The net change in fund balance for the year was most significant in the general fund. In fiscal year 2009, the net change in fund balance in the general fund was a decrease of \$123,922 due mainly to an excess of expenditures over revenues.

Other governmental funds show an increase in fund balances of \$31,470. The increase is due mainly to grants received in the Title VI-B, Title I, Reducing Class Size special revenue funds which increased their fund balances and offset decreases in the other governmental funds.

General Fund Budgeting Highlights

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

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

During the course of fiscal 2009, the School District amended its general fund budget once. The general fund's actual revenue was \$5,700,225 representing a \$342,088 increase from the final budget estimate of \$5,358,137. The final expenditure budget totaled \$5,846,650 which was the same as the original budget. The School District's ending unencumbered cash balance totaled \$115,523, which was due to revenues exceeding expenditures.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2009 balances compared to fiscal year 2008. More detailed information is presented in Note 9 of the notes to the basic financial statements.

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

	Governmental Activities	
	2009	2008
Land	\$125,700	\$125,700
Land Improvements	126,671	134,272
Buildings and Improvements	939,058	1,030,177
Furniture and Equipment	7,508	39,176
Vehicles	108,480	121,449
Totals	\$1,307,417	\$1,450,774

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 expenditures for capital outlay and annual depreciation expense.

Debt

At June 30, 2009 the School District had no bonds outstanding. The School District's long-term obligations outstanding consist of compensated absences payable of \$374,237 and \$392,712 for fiscal years 2009 and 2008, respectively. More detailed information is presented in Note 15 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, 2009
Unaudited

The 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 James Vokac, Treasurer at Ledgemont Local School District, 16200 Burrows Rd. Thompson, OH 44086, or le_vokac@lgca.org.

Ledgemont Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$681,234
Intergovernmental Receivable	19,768
Inventory Held for Resale	3,325
Materials and Supplies Inventory	16,220
Property Taxes Receivable	1,919,346
Income Taxes Receivable	232,082
Nondepreciable Capital Assets	125,700
Depreciable Capital Assets	<u>1,181,717</u>
<i>Total Assets</i>	<u>4,179,392</u>
Liabilities	
Accounts Payable	15,557
Accrued Wages and Benefits	522,556
Intergovernmental Payable	143,118
Deferred Revenue	1,559,394
Long-Term Liabilities:	
Due Within One Year	27,240
Due in More Than One Year	<u>346,997</u>
<i>Total Liabilities</i>	<u>2,614,862</u>
Net Assets	
Invested in Capital Assets	1,307,417
Restricted for:	
Capital Projects	29,822
Debt Service	63,670
Set Asides	1,014,445
Other Purposes	166,413
Unrestricted (Deficit)	<u>(1,017,237)</u>
<i>Total Net Assets</i>	<u><u>\$1,564,530</u></u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues				Net Revenue/(Expense) and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$2,898,109	\$133,273	\$147,088	\$6,000	(\$2,611,748)
Special	884,072	28,955	81,835	0	(773,282)
Vocational	144,877	4,923	2,397	0	(137,557)
Support Services:					
Pupil	108,397	3,671	1,788	0	(102,938)
Instructional Staff	100,929	4,255	1,678	0	(94,996)
Board of Education	18,323	623	0	0	(17,700)
Administration	546,931	17,343	118,537	0	(411,051)
Fiscal	185,483	6,279	0	0	(179,204)
Operation and Maintenance of Plant	587,073	19,845	21,472	0	(545,756)
Pupil Transportation	480,032	15,358	7,479	8,956	(448,239)
Central	21,849	0	5,000	0	(16,849)
Extracurricular Activities	137,758	33,885	2,256	0	(101,617)
Operation of Non-Instructional Services:					
Food Service Operations	186,515	109,010	74,072	0	(3,433)
Other Non-Instructional Services	15,363	5,011	297	0	(10,055)
<i>Total Governmental Activities</i>	<u>\$6,315,711</u>	<u>\$382,431</u>	<u>\$463,899</u>	<u>\$14,956</u>	<u>(5,454,425)</u>
General Revenues					
Property Taxes Levied for General Purposes					1,965,919
Income Taxes Levied for General Purposes					554,316
Grants and Entitlements not Restricted to Specific Programs					2,747,694
Investment Earnings					13,505
Gain on Sale of Capital Asset					1,600
Miscellaneous					945
<i>Total General Revenues</i>					<u>5,283,979</u>
Change in Net Assets					(170,446)
<i>Net Assets, Beginning of Year</i>					<u>1,734,976</u>
<i>Net Assets, End of Year</i>					<u>\$1,564,530</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District

Balance Sheet

Governmental Funds

June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$0	\$267,725	\$267,725
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	413,509	0	413,509
Intergovernmental Receivable	0	19,768	19,768
Interfund Receivable	20,850	0	20,850
Inventory Held for Resale	0	3,325	3,325
Materials and Supplies Inventory	15,283	937	16,220
Property Taxes Receivable	1,919,346	0	1,919,346
Income Taxes Receivable	232,082	0	232,082
<i>Total Assets</i>	<u>\$2,601,070</u>	<u>\$291,755</u>	<u>\$2,892,825</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$6,214	\$9,343	\$15,557
Accrued Wages and Benefits	498,480	24,076	522,556
Interfund Payable	0	20,850	20,850
Intergovernmental Payable	135,425	7,693	143,118
Deferred Revenue	1,711,326	0	1,711,326
<i>Total Liabilities</i>	<u>2,351,445</u>	<u>61,962</u>	<u>2,413,407</u>
Fund Balances			
Reserved for Encumbrances	309,219	26,731	335,950
Reserved for Property Taxes	255,100	0	255,100
Reserved for Textbooks	476,241	0	476,241
Reserved for Bus Purchases	16,022	0	16,022
Reserved for Capital Improvements	514,420	0	514,420
Reserved for Budget Stabilization	23,784	0	23,784
Reserved for Long-Term Advances	10,268	0	10,268
Unreserved:			
Undesignated, Reported in:			
General Fund (Deficit)	(1,355,429)	0	(1,355,429)
Special Revenue Funds	0	125,592	125,592
Debt Service Fund	0	63,670	63,670
Capital Projects Funds	0	13,800	13,800
<i>Total Fund Balances</i>	<u>249,625</u>	<u>229,793</u>	<u>479,418</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,601,070</u>	<u>\$291,755</u>	<u>\$2,892,825</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, 2009

Total Governmental Fund Balances	\$479,418
 <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.	1,307,417
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	104,852
Income Taxes	<u>47,080</u>
 Total	 151,932
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>(374,237)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$1,564,530</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, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,966,111	\$0	\$1,966,111
Income Taxes	507,236	0	507,236
Intergovernmental	2,848,095	371,450	3,219,545
Interest	13,505	0	13,505
Tuition and Fees	196,920	16,539	213,459
Extracurricular Activities	180	41,057	41,237
Contributions and Donations	4,750	2,254	7,004
Charges for Services	597	127,138	127,735
Miscellaneous	945	0	945
<i>Total Revenues</i>	<u>5,538,339</u>	<u>558,438</u>	<u>6,096,777</u>
Expenditures			
Current:			
Instruction:			
Regular	2,715,402	94,685	2,810,087
Special	825,876	57,009	882,885
Vocational	140,848	0	140,848
Support Services:			
Pupil	106,059	0	106,059
Instructional Staff	96,503	1,491	97,994
Board of Education	18,323	0	18,323
Administration	444,377	122,222	566,599
Fiscal	190,535	0	190,535
Operation and Maintenance of Plant	577,392	2,725	580,117
Pupil Transportation	444,517	0	444,517
Central	0	17,170	17,170
Extracurricular Activities	95,529	33,886	129,415
Operation of Non-Instructional Services:			
Food Service Operations	0	192,510	192,510
Other Non-Instructional Services	0	5,270	5,270
Capital Outlay	8,500	0	8,500
<i>Total Expenditures</i>	<u>5,663,861</u>	<u>526,968</u>	<u>6,190,829</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(125,522)	31,470	(94,052)
Other Financing Sources			
Sale of Capital Assets	1,600	0	1,600
<i>Net Change in Fund Balances</i>	(123,922)	31,470	(92,452)
<i>Fund Balances Beginning of Year</i>	<u>373,547</u>	<u>198,323</u>	<u>571,870</u>
<i>Fund Balances End of Year</i>	<u>\$249,625</u>	<u>\$229,793</u>	<u>\$479,418</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, 2009*

Net Change in Fund Balances - Total Governmental Funds (\$92,452)

*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 outlays in the current period.

Capital Asset Additions	
Capital Outlays	8,500
Current Year Depreciation	<u>(151,857)</u>

Total (143,357)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	(192)
Income Taxes	<u>47,080</u>

Total 46,888

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.

18,475

Change in Net Assets of Governmental Activities (\$170,446)

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, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,839,951	\$1,855,172	\$1,973,614	\$118,442
Income Taxes	612,763	617,833	657,278	39,445
Intergovernmental	2,655,550	2,677,518	2,848,464	170,946
Interest	12,564	12,668	13,477	809
Tuition and Fees	183,583	185,102	196,920	11,818
Extracurricular Activities	168	169	180	11
Contributions and Donations	8,157	8,225	8,750	525
Charges for Services	557	561	597	36
Miscellaneous	882	889	945	56
<i>Total Revenues</i>	5,314,175	5,358,137	5,700,225	342,088
Expenditures				
Current:				
Instruction:				
Regular	2,750,916	2,750,916	2,705,186	45,730
Special	916,108	916,108	1,166,110	(250,002)
Vocational	137,128	137,128	137,128	0
Support Services:				
Pupil	106,049	106,049	106,049	0
Instructional Staff	94,623	94,623	94,623	0
Board of Education	17,975	17,975	33,876	(15,901)
Administration	531,340	531,340	440,066	91,274
Fiscal	190,504	190,504	190,504	0
Operation and Maintenance of Plant	579,706	579,706	579,706	0
Pupil Transportation	417,894	417,894	437,669	(19,775)
Extracurricular Activities	95,907	95,907	95,907	0
Capital Outlay	8,500	8,500	8,500	0
<i>Total Expenditures</i>	5,846,650	5,846,650	5,995,324	(148,674)
<i>Excess of Revenues Under Expenditures</i>	(532,475)	(488,513)	(295,099)	193,414
Other Financing Sources				
Sale of Capital Assets	1,600	1,600	1,600	0
Advances In	0	0	934	934
<i>Total Other Financing Sources</i>	1,600	1,600	2,534	934
<i>Net Change in Fund Balance</i>	(530,875)	(486,913)	(292,565)	194,348
<i>Fund Balance Beginning of Year</i>	140,999	140,999	140,999	0
Prior Year Encumbrances Appropriated	267,089	267,089	267,089	0
<i>Fund Balance (Deficit) End of Year</i>	(\$122,787)	(\$78,825)	\$115,523	\$194,348

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$95,330</u></u>
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Liabilities

Due to Students	<u><u>\$95,330</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, 2009

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 31 classified employees, 45 certificated full-time and part-time teaching personnel, 3 administrators and 4 specialists who provide services to 649 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 three jointly governed organizations. These organizations are the Lake Geauga Computer Association, the Ohio Schools’ Council, and the Ashtabula Joint Vocational School. 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, 2009

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, 2009

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, student scholarships, Frances Spath Leighton and the Pell Grants.

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 sixty 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, 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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2009

grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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 Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

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 amended certificate that was in effect at the time 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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2009

automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

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

During fiscal year 2009 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, 2009.

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 2009 amounted to \$13,505 which includes \$6,314 assigned from other School District funds.

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

G. Inventory

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and amounts required by State statute to be set aside for the purchase of textbooks, the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 17 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, 2009

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, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balances are eliminated in the governmental activities column 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.

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 that they are due for payment during the current year.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2009

M. Net Assets

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

Net assets restricted for other purposes include instructional 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, budget stabilization and long-term advances.

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. 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.

P. Estimates

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

Note 3 – Change in Accounting Principles

For fiscal year 2009, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, and Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2009

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change to the School District's financial statements.

Note 4 – Accountability and Compliance

A. Accountability

At June 30, 2009, the following funds have deficit fund balances:

Special Revenue Funds:	
Food Service	\$6,221
Uniform School Supply	359
Teacher Development Grant	2,903
Management Information System	7,367
Title VI-B	14620

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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2009

B. Legal Compliance

1. Set-Aside and Reserve Balance Accounts

Ohio law requires that school districts annually set aside in the general fund certain revenues for textbooks and instructional materials and capital improvements. Due to the economic conditions at the School District, there was not sufficient restricted cash to cover the reserve.

2. Expenditures plus Encumbrances Exceeding Appropriations

As of June 30, 2009, the following funds had expenditures plus encumbrances in excess of appropriations in violation of section 5705.41(B) and (C), Ohio Revised Code:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<i>Special Revenue Funds:</i>			
Food Service	\$97,098	\$184,723	\$87,625
Uniform School Supplies	17,675	21,177	3,502
Athletic	24,228	34,126	9,898
Teacher Development Grant	0	2,920	2,920
Management Information System	5,087	14,237	9,150
Telecommunity	0	11,163	11,163
Improving Teacher Quality	42,124	70,758	28,634

3. Appropriations Exceeding Estimated Resources

As of June 30, 2009, the general fund and the other local grants, athletic, one net, Ohio reads, summer school and drug free schools special revenue funds had appropriations exceeding estimated resources of \$345,911, \$7,358, \$47, \$6,000, \$8,430, \$276 and \$992, respectively, in violation of section 5705.39, Ohio Revised Code.

4. Encumbrance of Funds

A review of expenditures disclosed that 13 out of 36 (or \$73,085 out of \$83,034 reviewed) were not encumbered in accordance with section 5705.41(D), Ohio Revised Code.

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

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:

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2009

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. Advances In are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
4. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
5. 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	(\$123,922)
Net Adjustment for Revenue Accruals	154,223
Advances In	934
Net Adjustment for Expenditure Accruals	(18,970)
Beginning Unrecorded Cash	3,738
Ending Unrecorded Cash	3,925
Adjustment for Encumbrances	(312,493)
Budget Basis	(\$292,565)

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.

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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;
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, \$217,618 of the School District's bank balance of \$478,442 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the 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.

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Investments

As of June 30, 2009, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Repurchase Agreement	\$177,619	July 1, 2009
STAROhio	151,380	Average 58.8 Days
<i>Totals</i>	\$328,999	

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.

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. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that 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, 2009:

Investment	Percentage of Investments
Repurchase Agreement	53.99 %
STAROhio	46.01

Note 7 – Receivables

Receivables at June 30, 2009, consisted of taxes, and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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A. Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Title I	\$17,329
Reducing Class Size	2,296
Drug Free Schools	143
Total Intergovernmental Receivables	<u>\$19,768</u>

B. 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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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 revenues received in calendar year 2009 (other than public utility property tax) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid 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 Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Ledgemont Local School District
Notes to the Basic Financial Statements
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Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, 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 were levied to finance current fiscal year operations and are reflected 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, 2009 was \$255,100 in the general fund. The amount available as an advance at June 30, 2008 was \$262,603 in the general fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$96,342,730	95.99 %	\$91,472,360	91.65 %
Public Utility	2,251,510	2.24	5,962,150	5.97
Tangible Personal Property	1,777,375	1.77	2,372,900	2.38
	<u>\$100,371,615</u>	<u>100.00 %</u>	<u>\$99,807,410</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$51.20		\$51.20	

C. Income Taxes

The School District levied 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 was a seven year tax which expired December 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 8 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is 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. One-fourth of unused sick time is paid at retirement. The number of unused sick days which can be accumulated is 320.

Ledgemont Local School District
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B. Insurance

Medical, surgical, vision and dental insurance is offered to employees through Anthem Blue Cross Insurance Company. The traditional medical/surgical plan has a \$100 deductible for single and a \$200 deductible for family. The co-payment is 90/10. The premium for single is \$501 and \$1,253 for family per month.

Life insurance is offered to employees through MetLife Insurance Company of Des Moines, Iowa. Administrators, supervisors, certified, custodial and clerical employees receive \$50,000 for \$5.25 per month. All premiums are paid by the School District.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
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	931,296	0	0	931,296
Vehicles	561,865	8,500	(47,157)	523,208
<i>Total Capital Assets, being depreciated</i>	<u>6,882,510</u>	<u>8,500</u>	<u>(47,157)</u>	<u>6,843,853</u>
Less Accumulated Depreciation:				
Land Improvements	(480,828)	(7,601)	0	(488,429)
Buildings and Improvements	(3,744,072)	(91,119)	0	(3,835,191)
Furniture and Equipment	(892,120)	(31,668)	0	(923,788)
Vehicles	(440,416)	(21,469)	47,157	(414,728)
<i>Total Accumulation Depreciation</i>	<u>(5,557,436)</u>	<u>(151,857) *</u>	<u>47,157</u>	<u>(5,662,136)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>1,325,074</u>	<u>(143,357)</u>	<u>0</u>	<u>1,181,717</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,450,774</u>	<u>(\$143,357)</u>	<u>\$0</u>	<u>\$1,307,417</u>

Ledgemont Local School District
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For the Fiscal Year Ending June 30, 2009

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$93,337
Special	2,763
Support Services:	
Pupil	358
Instructional Staff	1,350
Administration	2,878
Fiscal	707
Operation and Maintenance of Plant	372
Pupil Transportation	36,600
Central	1,704
Extracurricular Activities	8,343
Food Service Operations	3,445
	<hr/>
Total Depreciation Expense	<u>\$151,857</u>

Note 10 - 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, 2009.

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 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the School District contracted with various insurance companies. Coverage is as follows:

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Company	Type of Coverage	Coverage
Netherlands Insurance Company	Building and Contents - replacement cost	\$13,672,549
	Extra Expense Coverage	1,000,000
	Inland Marine Coverage	970,880
	Crime Insurance	150,000
Travelers Insurance Company	Boiler and Machinery	30,000,000
	Spoilage	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
Netherlands Insurance Company	Automobile Liability	1,000,000
	Uninsured Motorist	100,000
	Umbrella (per occurrence)	4,000,000
	General Liability	
	Per Occurrence	1,000,000
	Aggregate	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 12 - Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 information. That report can be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - 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 2009, 9.09

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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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$63,121, \$64,362 and \$67,741 respectively; 49.26 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, 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 a member's lifetime 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, 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 2008, 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.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$287,525, \$271,087, and \$260,470 respectively; 77.48 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$4,259 made by the School District and \$8,098 made by the plan members.

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C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, all members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 13 - Post Employment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800. During fiscal year 2009, the School District paid \$13,902 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$28,887, \$29,371, and \$23,154 respectively; 49.26 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$5,208, \$4,637 and \$4,742 respectively; 49.26 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly

Ledgemont Local School District
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Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$22,117, \$20,853 and \$20,036 respectively; 77.48 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 14 – Operating Leases

In fiscal year 2008, the School District entered into a 36 month operating lease agreement for an office duplicator, with financing through Wells Fargo Financial. The agreement is for \$97 per month. In addition, during fiscal year 2009, the School District entered into a 60 month operating lease agreement for two office copiers with financing through Wells Fargo Financial. The agreement is for \$533 per month. Both leases are non-cancelable leases with automatic renewal at the end of the term. A notification of at least 60 days and not more than 120 days is required to terminate the leases. The payments for these leases are as follows:

Fiscal Year	Duplicator Amount	Copiers Amount
2010	\$1,164	\$4,569
2011	679	4,569
2012	0	4,569
2013	0	4,569
2014	0	4,569
2015	0	4,569
2016	0	761
	\$1,843	\$28,175

Note 15 - Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2009 were as follows:

	Principal Outstanding 06/30/08	Additions	Reductions	Principal Outstanding 06/30/09	Amount Due in One Year
Compensated Absences	\$392,712	\$23,559	\$42,034	\$374,237	\$27,240

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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 \$8,861,203 with an unvoted debt margin of \$98,458 at June 30, 2009.

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 2009, the School District paid \$46,935 to the LGCA. 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 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2009, the School District paid \$43,503 to the Ohio Schools' Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates. Each month, the Council invoiced participants based on estimated payments which are compared to their actual usage for the year (July to June). Refund checks were issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. With the end of the program on December 31, 2008, the School District purchased its electricity from the local area utility, First Energy. In late October 2009, the School District joined a new Ohio School Council consortium electricity purchase program which provides for additional discounts above what the School District would receive otherwise.

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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 2009, no fee was paid. Financial information can be obtained by writing the Ashtabula Joint Vocational School, 1565 State Route 167, Jefferson, Ohio 44047.

Note 17 – 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, 2009, 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, 2008	\$23,784	\$385,379	\$423,133
Current Year Set-Aside Requirement	0	95,223	95,223
Qualifying Disbursements	0	(4,361)	(3,936)
Totals	<u>\$23,784</u>	<u>\$476,241</u>	<u>\$514,420</u>
Set-Aside Reserve Balance as of June 30, 2009 and Carried Forward to Future Fiscal Years	<u>\$23,784</u>	<u>\$476,241</u>	<u>\$514,420</u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$1,014,445. 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 \$413,509.

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Note 18 – Interfund Balances

As of June 30, 2009, interfund balances were as follows:

	<u>Receivable</u>		<u>Payable</u>	
	<u>Interfund</u>	Advance to <u>Other Funds</u>	<u>Interfund</u>	Advance from <u>Other Funds</u>
Major Funds				
General Fund	\$10,582	\$10,268	\$0	\$0
Nonmajor Funds				
Uniform School Supplies	0	0	359	0
Teacher Development	0	0	2,888	0
Title VI-B	0	0	7,335	10,268
<i>Total Governmental Activities</i>	<u>\$10,582</u>	<u>\$10,268</u>	<u>\$10,582</u>	<u>\$10,268</u>

Interfund balances at June 30, 2009, consist of a general fund advance of \$10,268 to the title VI-B special revenue fund to support the programs of the fund and \$10,582 to non-major governmental funds to eliminate negative cash balances. The \$10,268 advance to the title VI-B is not expected to be repaid within one year. The remaining interfund balances will be repaid within the next fiscal year.

Note 19 – Subsequent Event

The School District's income tax levy expired on December 31, 2008. The Board of Education placed a five-year 1.25 percent income tax levy on the May 5, 2009 ballot to replace the expired .75 percent income tax levy for current operating expenses. The levy was an attempt to prevent fiscal year 2010 shortfalls that may be caused by the expired levy. This replacement levy failed.

In November 2009, the Board of Education placed a five-year 1.25 percent income tax levy on the ballot. This levy also failed.

Note 20 – Fiscal Caution

On February 23, 2009, the Ohio Department of Education placed the School District in fiscal caution. The School District received a performance audit done by the Auditor of State's Office in September 2008.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2009

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Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2009

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Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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, 2008. 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 2008 include:

- Total assets decreased by \$304,846. Capital assets, net of depreciation decreased by \$138,756 due to annual depreciation. There were minimal expenditures for capital outlay in fiscal year 2008. Current and other assets decreased by \$166,090. This decrease was most apparent in the property taxes receivable.
- Total revenues of \$5,972,697 were comprised of general revenues in the amount of \$5,358,132 or 89.7 percent and program specific revenues from charges for services, grants and contributions in the amount of \$614,565 or 10.3 percent.
- Program expenses totaled \$6,283,032. Instructional expenses made up \$3,951,550 or 62.9 percent of this total while support services accounted for \$2,012,427 or 32.0 percent of the total. Extracurricular activities and non-instructional services made up the remaining 5.1 percent.
- There was a decrease of \$67,235 in the general fund balance from fiscal year 2007.

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, 2008
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 48. 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*.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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 2008 compared to 2007:

(Table 1)
Net Assets

	Governmental Activities		
	2008	Restated 2007	Change
Assets			
Current and Other Assets	\$3,004,364	\$3,170,454	(\$166,090)
Capital Assets, Net	<u>1,450,774</u>	<u>1,589,530</u>	<u>(138,756)</u>
<i>Total Assets</i>	<u>4,455,138</u>	<u>4,759,984</u>	<u>(304,846)</u>
Liabilities			
Current and Other Liabilities	2,327,450	2,415,584	88,134
Long-Term Liabilities:			
Due Within One Year	51,888	32,337	(19,551)
Due in More than One Year	<u>340,824</u>	<u>266,752</u>	<u>(74,072)</u>
<i>Total Liabilities</i>	<u>2,720,162</u>	<u>2,714,673</u>	<u>(5,489)</u>
Net Assets			
Invested in Capital Assets	1,450,774	1,589,530	(138,756)
Restricted:			
Capital Projects	23,366	1,800	21,566
Debt Service	63,670	63,670	0
Set Asides	832,296	657,224	175,072
Other Purposes	134,658	183,585	(48,927)
Unrestricted (Deficit)	<u>(769,788)</u>	<u>(450,498)</u>	<u>(319,290)</u>
<i>Total Net Assets</i>	<u>\$1,734,976</u>	<u>\$2,045,311</u>	<u>(\$310,335)</u>

Total assets decreased by \$304,846. Capital assets net of depreciation decreased by \$138,756. Current and other assets decreased by \$166,090. This decrease was caused by reductions in charges for services, operating grants and State funding due to decreased enrollment.

Current liabilities in governmental activities decreased by \$88,134 due to a decrease in deferred revenue. Long-term liabilities increased by \$93,623 due to fewer staff retiring in fiscal year 2008.

Table 2 shows the changes in net assets for fiscal year 2008. Total revenue decreased by \$217,093. Total expenses decreased by \$148,793. Total expenses exceeded total revenues by \$310,335 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, 2008
Unaudited

(Table 2)
Changes in Net Assets - Governmental Funds

	2008	Restated 2007	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$268,580	\$351,228	(\$82,648)
Operating Grants and Contributions	325,451	329,728	(4,277)
Capital Grants and Contributions	20,534	21,678	(1,144)
<i>Total Program Revenues</i>	<u>614,565</u>	<u>702,634</u>	<u>(88,069)</u>
<i>General Revenues</i>			
Property Taxes	2,022,332	2,075,875	(53,543)
Income Taxes	700,199	707,035	(6,836)
Grant and Entitlements not Restricted to Specific Programs	2,591,086	2,639,339	(48,253)
Investment Earnings	42,710	61,522	(18,812)
Gain on Sale of Capital Asset	566	0	566
Miscellaneous	1,239	3,385	(2,146)
<i>Total General Revenues</i>	<u>5,358,132</u>	<u>5,487,156</u>	<u>(129,024)</u>
<i>Total Revenues</i>	<u>5,972,697</u>	<u>6,189,790</u>	<u>(217,093)</u>
Program Expenses			
Instruction:			
Regular	2,678,182	2,682,508	4,326
Special	1,134,999	1,091,090	(43,909)
Vocational	138,369	132,607	(5,762)
Support Services:			
Pupil	106,586	107,052	466
Instructional Staff	110,198	254,227	144,029
Board of Education	19,452	54,147	34,695
Administration	445,656	499,894	54,238
Fiscal	263,376	182,987	(80,389)
Operation and Maintenance of Plant	549,013	579,219	30,206
Pupil Transportation	502,873	514,526	11,653
Central	15,273	15,234	(39)
Extracurricular Activities	146,943	143,718	(3,225)
Operation of Non-Instructional Services:			
Food Service Operations	162,880	168,197	5,317
Other Non-Instructional Services	9,232	6,419	(2,813)
<i>Total Program Expenses</i>	<u>6,283,032</u>	<u>6,431,825</u>	<u>148,793</u>
<i>Decrease in Net Assets</i>	(310,335)	(242,035)	(68,300)
<i>Net Assets Beginning of Year</i>	<u>2,045,311</u>	<u>2,287,346</u>	<u>(242,035)</u>
<i>Net Assets End of Year</i>	<u>\$1,734,976</u>	<u>\$2,045,311</u>	<u>(\$310,335)</u>

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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 43.4 percent of the revenue received by the School District in 2008. The local property tax and income tax share was 45.6 percent of the total with 33.9 percent of that being generated from property tax payments made to the County Treasurer and 11.7 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 691 eligible community members. Regular instruction expenses encompassed 67.8 percent of all instructional expenses. Special instruction costs equaled 28.7 percent of total instructional expenses. Vocational education programs such as living skills and occupational work programs made up 3.5 percent of the instructional expenses and are offered to the entire student population.

Total expenses are comprised of two main areas, instruction and support services. Support Services is comprised of many subsections. Instructional costs made up 62.9 percent of all expenses. Support services were 32.0 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 5.1 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 revenues 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. The School District income tax 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 fiscal year 2008 and the prior year.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$3,951,550	\$3,692,491	\$3,906,205	\$3,617,267
Support Services:				
Pupil and Instructional Staff	216,784	209,599	361,279	280,886
Board of Education, Administration, and Fiscal	728,484	626,673	737,028	654,072
Operation and Maintenance of Plant	549,013	530,647	579,219	563,382
Pupil Transportation	502,873	478,297	514,526	500,468
Central	15,273	10,273	15,234	10,234
Extracurricular Activities	146,943	114,581	143,718	110,061
Operation of Non-Instructional Services:				
Food Service Operations	162,880	3,239	168,197	6,277
Other Non-Instructional Services	9,232	2,667	6,419	(13,456)
<i>Total Expenses</i>	<u>\$6,283,032</u>	<u>\$5,668,467</u>	<u>\$6,431,825</u>	<u>\$5,729,191</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 \$5,919,846 and expenditures of \$6,046,587.

The net change in fund balance for the year was most significant in the general fund. In fiscal year 2008, the net change in fund balance in the general fund was a decrease of \$67,235 due mainly to increases in instructional staff personnel.

Other governmental funds show a decrease in fund balances of \$52,706. The decrease is due mainly to a decrease in the athletics fund balance of \$15,730 and the reducing class size fund balance of \$32,992. This change was the result of increased expenditures in those funds.

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 2008, the School District did not amend its general fund budget. The general fund's actual revenue was \$5,588,391 representing a \$19,173 decrease from the final budget estimate of \$5,607,564. The final expenditure budget totaled \$5,801,502 which was the same as the original estimate. The School District's ending unencumbered cash balance totaled \$140,999, which was \$22,741 higher than the final budget. The Board of Education controls the budget at the fund level.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008 the School District had \$1,450,774 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007. More detailed information is presented in Note 9 of the notes to the basic financial statements.

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

	Governmental Activities	
	2008	2007
Land	\$125,700	\$125,700
Land Improvements	134,272	141,873
Buildings and Improvements	1,030,177	1,121,296
Furniture and Equipment	39,176	63,259
Vehicles	121,449	137,402
Totals	\$1,450,774	\$1,589,530

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, 2008 the School District had no bonds outstanding. The School District's long-term obligations outstanding consist of compensated absences payable of \$392,712 and \$299,089 for fiscal years 2008 and 2007, respectively. More detailed information is presented in Note 15 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.

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.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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 James Vokac, Treasurer at Ledgemont Local School District, 16200 Burrows Rd. Thompson, OH 44086, or le_vokac@lgca.org.

Ledgemont Local School District

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$640,025
Accounts Receivable	4,000
Intergovernmental Receivable	1,303
Inventory Held for Resale	3,131
Materials and Supplies Inventory	48,000
Property Taxes Receivable	1,972,861
Income Taxes Receivable	335,044
Nondepreciable Capital Assets	125,700
Depreciable Capital Assets	<u>1,325,074</u>
<i>Total Assets</i>	<u>4,455,138</u>
Liabilities	
Accounts Payable	20,707
Accrued Wages and Benefits	489,857
Intergovernmental Payable	211,672
Deferred Revenue	1,605,214
Long-Term Liabilities:	
Due Within One Year	51,888
Due in More Than One Year	<u>340,824</u>
<i>Total Liabilities</i>	<u>2,720,162</u>
Net Assets	
Invested in Capital Assets	1,450,774
Restricted for:	
Capital Projects	23,366
Debt Service	63,670
Set Asides	832,296
Other Purposes	134,658
Unrestricted (Deficit)	<u>(769,788)</u>
<i>Total Net Assets</i>	<u><u>\$1,734,976</u></u>

See accompanying notes to the basic financial statements

Ledgemont Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2008

	Program Revenues			Governmental Activities	Net Revenue/(Expense) and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$2,678,182	\$81,182	\$58,230	\$7,856	(\$2,530,914)
Special	1,134,999	15,126	92,006	749	(1,027,118)
Vocational	138,369	2,081	1,726	103	(134,459)
Support Services:					
Pupil	106,586	1,628	1,350	81	(103,527)
Instructional Staff	110,198	2,425	1,612	89	(106,072)
Board of Education	19,452	285	237	14	(18,916)
Administration	445,656	5,668	87,900	281	(351,807)
Fiscal	263,376	3,952	3,278	196	(255,950)
Operation and Maintenance of Plant	549,013	10,060	7,889	417	(530,647)
Pupil Transportation	502,873	7,598	6,302	10,676	(478,297)
Central	15,273	0	5,000	0	(10,273)
Extracurricular Activities	146,943	29,552	2,738	72	(114,581)
Operation of Non-Instructional Services:					
Food Service Operations	162,880	102,812	56,829	0	(3,239)
Other Non-Instructional Services	9,232	6,211	354	0	(2,667)
<i>Total Governmental Activities</i>	<u>\$6,283,032</u>	<u>\$268,580</u>	<u>\$325,451</u>	<u>\$20,534</u>	<u>(5,668,467)</u>
General Revenues					
					2,022,332
					700,199
					2,591,086
					42,710
					566
					1,239
					<i>Total General Revenues</i> 5,358,132
					(310,335)
					2,045,311
					<i>Net Assets, End of Year</i> \$1,734,976

See accompanying notes to the basic financial statements

Ledgemont Local School District

Balance Sheet

Governmental Funds

June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$0	\$235,675	\$235,675
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	404,350	0	404,350
Accounts Receivable	4,000	0	4,000
Intergovernmental Receivable	369	934	1,303
Interfund Receivable	11,202	0	11,202
Inventory Held for Resale	0	3,131	3,131
Materials and Supplies Inventory	46,991	1,009	48,000
Property Taxes Receivable	1,972,861	0	1,972,861
Income Taxes Receivable	335,044	0	335,044
<i>Total Assets</i>	<u>\$2,774,817</u>	<u>\$240,749</u>	<u>\$3,015,566</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$10,334	\$10,373	\$20,707
Accrued Wages and Benefits	478,093	11,764	489,857
Interfund Payable	0	11,202	11,202
Intergovernmental Payable	202,585	9,087	211,672
Deferred Revenue	1,710,258	0	1,710,258
<i>Total Liabilities</i>	<u>2,401,270</u>	<u>42,426</u>	<u>2,443,696</u>
Fund Balances			
Reserved for Encumbrances	161,109	23,177	184,286
Reserved for Property Taxes	262,603	0	262,603
Reserved for Textbooks	385,379	0	385,379
Reserved for Bus Purchases	15,566	0	15,566
Reserved for Capital Improvements	423,133	0	423,133
Reserved for Budget Stabilization	23,784	0	23,784
Reserved for Long-Term Advances	10,268	0	10,268
Unreserved:			
Undesignated, Reported in:			
General Fund (Deficit)	(908,295)	0	(908,295)
Special Revenue Funds	0	103,676	103,676
Debt Service Fund	0	63,670	63,670
Capital Projects Funds	0	7,800	7,800
<i>Total Fund Balances</i>	<u>373,547</u>	<u>198,323</u>	<u>571,870</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,774,817</u>	<u>\$240,749</u>	<u>\$3,015,566</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, 2008

Total Governmental Fund Balances	\$571,870
 <i>Amounts reported for governmental activities in the statement of</i> <i>net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,450,774
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.	105,044
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>(392,712)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$1,734,976</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, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,980,347	\$0	\$1,980,347
Income Taxes	700,199	0	700,199
Intergovernmental	2,661,851	256,993	2,918,844
Interest	42,710	0	42,710
Tuition and Fees	85,417	14,890	100,307
Extracurricular Activities	0	47,259	47,259
Contributions and Donations	4,362	3,565	7,927
Charges for Services	57	120,957	121,014
Miscellaneous	0	1,239	1,239
<i>Total Revenues</i>	<u>5,474,943</u>	<u>444,903</u>	<u>5,919,846</u>
Expenditures			
Current:			
Instruction:			
Regular	2,418,816	106,555	2,525,371
Special	1,047,170	78,616	1,125,786
Vocational	133,062	0	133,062
Support Services:			
Pupil	104,900	0	104,900
Instructional Staff	109,061	817	109,878
Board of Education	19,452	0	19,452
Administration	353,198	82,895	436,093
Fiscal	255,347	0	255,347
Operation and Maintenance of Plant	540,064	4,801	544,865
Pupil Transportation	464,653	0	464,653
Central	0	13,462	13,462
Extracurricular Activities	93,236	45,364	138,600
Operation of Non-Instructional Services:			
Food Service Operations	0	161,727	161,727
Other Non-Instructional Services	0	5,787	5,787
Capital Outlay	19	7,585	7,604
<i>Total Expenditures</i>	<u>5,538,978</u>	<u>507,609</u>	<u>6,046,587</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(64,035)</u>	<u>(62,706)</u>	<u>(126,741)</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	6,800	0	6,800
Transfers In	0	10,000	10,000
Transfers Out	(10,000)	0	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,200)</u>	<u>10,000</u>	<u>6,800</u>
<i>Net Change in Fund Balances</i>	<u>(67,235)</u>	<u>(52,706)</u>	<u>(119,941)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>440,782</u>	<u>251,029</u>	<u>691,811</u>
<i>Fund Balances End of Year</i>	<u>\$373,547</u>	<u>\$198,323</u>	<u>\$571,870</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, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$119,941)

*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 outlays in the current period.

Capital Asset Additions	
Capital Outlays	7,585
Capital Contributions	10,300
Current Year Depreciation	<u>(150,407)</u>

Total (132,522)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (6,234)

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. 41,985

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. (93,623)

Change in Net Assets of Governmental Activities (\$310,335)

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, 2008

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,081,152	\$2,082,630	\$2,075,509	(\$7,121)
Income Taxes	721,270	721,782	719,314	(2,468)
Intergovernmental	2,668,718	2,670,613	2,661,482	(9,131)
Interest	42,826	42,857	42,710	(147)
Tuition and Fees	85,689	85,750	85,457	(293)
Contributions and Donations	3,873	3,875	3,862	(13)
Charges for Services	57	57	57	0
<i>Total Revenues</i>	5,603,585	5,607,564	5,588,391	(19,173)
Expenditures				
Current:				
Instruction:				
Regular	852,917	2,411,880	2,411,880	0
Special	344,302	1,178,948	1,178,948	0
Vocational	47,385	141,295	134,378	6,917
Support Services:				
Pupil	37,065	110,520	105,428	5,092
Instructional Staff	40,841	121,780	116,940	4,840
Board of Education	6,491	28,023	28,023	0
Administration	129,010	376,017	368,450	7,567
Fiscal	89,961	268,248	259,245	9,003
Operation and Maintenance of Plant	191,642	554,884	554,884	0
Pupil Transportation	172,946	515,696	508,096	7,600
Extracurricular Activities	33,051	94,192	93,303	889
Capital Outlay	6	19	19	0
<i>Total Expenditures</i>	1,945,617	5,801,502	5,759,594	41,908
<i>Excess of Revenues Over (Under) Expenditures</i>	3,657,968	(193,938)	(171,203)	22,735
Other Financing Sources (Uses)				
Sale of Capital Assets	6,800	6,800	6,800	0
Advances Out	0	(940)	(934)	6
Transfers Out	(5,000)	(10,000)	(10,000)	0
<i>Total Other Financing Sources (Uses)</i>	1,800	(4,140)	(4,134)	6
<i>Net Change in Fund Balance</i>	3,659,768	(198,078)	(175,337)	22,741
<i>Fund Balance Beginning of Year</i>	198,076	198,076	198,076	0
Prior Year Encumbrances Appropriated	118,260	118,260	118,260	0
<i>Fund Balance End of Year</i>	\$3,976,104	\$118,258	\$140,999	\$22,741

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$87,328</u></u>
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Liabilities

Due to Students	<u><u>\$87,328</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, 2008

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 32 classified employees, 45 certificated full-time and part-time teaching personnel, 3 administrators and 4 specialists who provide services to 691 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 four jointly governed organizations. These organizations are the Lake Geauga Computer Association, the Ohio Schools’ Council, the Ashtabula Joint Vocational School 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, 2008

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, 2008

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, Frances Spath Leighton Grant 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, 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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 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 Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statements reflect the final appropriations passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

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

During fiscal year 2008 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, 2008.

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 2008 amounted to \$42,710 which includes \$18,967 assigned from other School District funds.

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

G. Inventory

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and amounts required by State statute to be set aside for the purchase of textbooks, the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 17 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, 2008

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." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. 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.

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 that they are due for payment during the current year.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

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 \$1,053,990, 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, budget stabilization and long-term advances.

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

Transfers between governmental funds are eliminated on the government-wide financial statements. 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. Interfund payments for services provided and used are eliminated.

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 2008.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

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 – Changes in Accounting Principles and Restatement of Prior Year Fund Balances/Net Assets

A. Changes in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amounts of \$16,359 and \$4,925, respectively, which are the same as the previous reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this Statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this Statement did not result in any change to the financial statements.

B. Restatement of Prior Year Fund Balances/Net Assets

During fiscal year 2008, Frances Spath Leighton grant fund was reclassified to agency funds. The reclassification had the following effect on the governmental fund balances and net assets.

	General	Other Governmental Funds	Total Governmental Funds
Fund Balances, July 1, 2007	\$440,782	\$297,329	\$738,111
Fund Reclassification	0	(46,300)	(46,300)
Restated Fund Balances, July 1, 2007	\$440,782	\$251,029	\$691,811

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

	Governmental Activities
Net Assets at July 1, 2007	\$2,091,611
Fund Reclassification	(46,300)
Restated Net Assets at July 1, 2007	\$2,045,311

Note 4 – Accountability and Compliance

A. Accountability

At June 30, 2008, the following funds have deficit fund balances:

Special Revenue Funds:	
Title VI-B	\$10,925
Title I	110

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

B. Legal Compliance

1. Set-Aside and Reserve Balance Accounts

Ohio law requires that school districts annually set aside in the general fund certain revenues for textbooks and instructional materials and capital improvements. Due to the economic conditions at the School District, there was not sufficient restricted cash to cover the reserve.

2. Encumbrance of Funds

A review of expenditures disclosed that five out of 24 (or \$39,723 out of \$85,344 reviewed) were not encumbered in accordance with section 5705.41(D), Ohio Revised Code.

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

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:

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

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. Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
4. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
5. 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	(\$67,235)
Net Adjustment for Revenue Accruals	109,710
Net Adjustment for Expenditure Accruals	46,473
Advances Out	(934)
Unrecorded Cash	3,738
Adjustment for Encumbrances	<u>(267,089)</u>
Budget Basis	<u><u>(\$175,337)</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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

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;
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, \$471,630 of the School District's bank balance of \$582,360 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the 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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

Investments

As of June 30, 2008, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Repurchase Agreement	\$67,826	July 1, 2008
STAROhio	149,501	Average 53.8 Days
<i>Totals</i>	\$217,327	

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.

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. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that 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, 2008:

Investment	Percentage of Investments
Repurchase Agreement	31.21 %
STAROhio	68.79

Note 7 – Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (contributions and donations) and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

A. Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
General Fund	\$369
Title I	342
Title II	535
Reducing Class Size	<u>57</u>
Total Intergovernmental Receivables	<u><u>\$1,303</u></u>

B. 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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to 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, 2008, are available to finance fiscal year 2008 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, 2008 and for which there is an enforceable legal claim.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

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, 2008 was \$262,603 in the general fund. The amount available as an advance at June 30, 2007 was \$357,765 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 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$94,651,230	92.79 %	\$96,342,730	95.99 %
Public Utility	3,584,280	3.52	2,251,510	2.24
Tangible Personal Property	3,768,140	3.69	1,777,375	1.77
	<u>\$102,003,650</u>	<u>100.00 %</u>	<u>\$100,371,615</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$51.20		\$51.20	

C. 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 8 - 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. One-fourth of unused sick time is paid at retirement. The number of unused sick days which can be accumulated is 320.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

B. Insurance

Medical, surgical, vision and dental insurance is offered to employees through Anthem Blue Cross Insurance Company. The traditional medical/surgical 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 \$940.00 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.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
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	923,711	7,585	0	931,296
Vehicles	558,365	10,300	(6,800)	561,865
<i>Total Capital Assets, being depreciated</i>	<u>6,871,425</u>	<u>17,885</u>	<u>(6,800)</u>	<u>6,882,510</u>
Less Accumulated Depreciation:				
Land Improvements	(473,227)	(7,601)	0	(480,828)
Buildings and Improvements	(3,652,953)	(91,119)	0	(3,744,072)
Furniture and Equipment	(860,452)	(31,668)	0	(892,120)
Vehicles	(420,963)	(20,019)	566	(440,416)
<i>Total Accumulation Depreciation</i>	<u>(5,407,595)</u>	<u>(150,407) *</u>	<u>566</u>	<u>(5,557,436)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>1,463,830</u>	<u>(132,522)</u>	<u>(6,234)</u>	<u>1,325,074</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,589,530</u>	<u>(\$132,522)</u>	<u>(\$6,234)</u>	<u>\$1,450,774</u>

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$93,337
Special	2,763
Support Services:	
Pupil	358
Instructional Staff	1,350
Administration	2,878
Fiscal	707
Operation and Maintenance of Plant	372
Pupil Transportation	35,150
Central	1,704
Extracurricular Activities	8,343
Food Service Operations	3,445
	<hr/>
Total Depreciation Expense	<u>\$150,407</u>

In fiscal year 2008, the School District acquired two buses through the East Shore Regional Transportation System bus lottery program. The buses are equipped to carry handicapped children and were valued at a total of \$10,300. The School District recorded these as capital contributions.

Note 10 - 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, 2008.

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 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the School District contracted with various insurance companies. Coverage is as follows:

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

Company	Type of Coverage	Coverage
Indiana Insurance Company	Building and Contents - replacement cost	\$13,358,345
	Extra Expense Coverage	1,000,000
	Valuable Papers	100,000
	Inland Marine Coverage	970,980
	Crime Insurance	150,000
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
Indiana Insurance Company	Automobile Liability	1,000,000
	Uninsured Motorist	100,000
	Umbrella (per occurrence)	3,000,000
	General Liability	
	Per Occurrence	1,000,000
	Aggregate	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 12 - Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 information. That report can be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - 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 2008, 9.16

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$64,362, \$69,741 and \$67,641 respectively; 44.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, 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 a member's lifetime 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, 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 2007, 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.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$271,087, \$260,470, and \$277,973 respectively; 88.37 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

the DC and Combined Plans for fiscal year 2008 were \$7,461 made by the School District and \$13,348 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 Retirement System. As of June 30, 2008, all members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 13 - Post Employment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$14,053.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$29,371, \$23,154, and \$23,513 respectively; 44.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$4,637, \$4,742 and \$4,885 respectively; 44.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$20,853, \$20,036 and \$21,383 respectively; 88.37 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 14 – Operating Leases

In fiscal year 2008, the School District entered into a 36 month operating lease agreement for an office duplicator, with financing through Wells Fargo Financial. The agreement is for \$97 per month. It is a non-cancelable lease with automatic renewal at the end of the term. A notification of at least 60 days and not more than 120 days is required to terminate the lease. The payments for this lease are as follows:

Fiscal Year	Amount
2008	\$485
2009	1,164
2010	1,164
2011	679
	<u>\$3,492</u>

Note 15 - Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 06/30/07	Additions	Reductions	Principal Outstanding 06/30/08	Amount Due in One Year
Compensated Absences	\$299,089	\$125,960	\$32,337	\$392,712	\$51,888

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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

The School District's overall legal debt margin was \$8,819,884 with an unvoted debt margin of \$97,999 at June 30, 2008.

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 2008, 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 121 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2008, the School District paid \$74,135 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated payments which are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced.

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 2008, 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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

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 2008, no fee was paid to the Center. Financial information can be obtained by writing the fiscal agent, the Lake County Educational Service Center, 30 South Park Place, Suite 320, Painesville, Ohio 44077.

Note 17 – 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, 2008, 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.

	<u>Budget Stabilization</u>	<u>Textbooks</u>	<u>Capital Improvements</u>
Set Aside Reserve Balance as of June 30, 2007	\$23,784	\$295,668	\$326,440
Current Year Set-Aside Requirement	0	98,684	98,684
Qualifying Disbursements	0	(8,973)	(1,991)
Totals	<u>\$23,784</u>	<u>\$385,379</u>	<u>\$423,133</u>
Set-Aside Reserve Balance as of June 30, 2008 and Carried Forward to Future Fiscal Years	<u>\$23,784</u>	<u>\$385,379</u>	<u>\$423,133</u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$832,296. 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 \$404,350.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

Note 18 – Interfund Balances and Transfers

A. Interfund Balances

As of June 30, 2008, interfund balances were as follows:

	<u>Receivable</u>		<u>Payable</u>	
	<u>Interfund</u>	Advance to <u>Other Funds</u>	<u>Interfund</u>	Advance from <u>Other Funds</u>
Major Funds				
General Fund	\$934	\$10,268	\$0	\$0
Nonmajor Funds				
Title VI-B	0	0	0	10,268
Title I	0	0	342	0
Title II	0	0	535	0
Reducing Class Size	0	0	57	0
<i>Total Governmental Activities</i>	<u>\$934</u>	<u>\$10,268</u>	<u>\$934</u>	<u>\$10,268</u>

Interfund balances at June 30, 2008, consist of a general fund advance of \$10,268 to the title VI-B special revenue fund to support the programs of the fund and \$934 to non-major governmental funds to support programs and projects of the funds pending receipt of grant monies. The \$10,268 advance is not expected to be repaid within one year. The interfund balances will be repaid within the next fiscal year.

B. Interfund Transfers

The only transfer made during fiscal year 2008 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.

Note 19 – Subsequent Event

The Board of Education placed a 1.5 percent income tax levy on the March 2008 ballot to replace the current .75 percent income tax levy for current expenses. The levy was an attempt to prevent the fiscal 2009 deficit predicted by the District’s five-year forecast. This replacement levy did not pass.

In November 2008, the Board of Education placed a five year 1.25 percent income tax levy on the ballot. This levy also failed. The School District plans to place this or a similar levy on the ballot again in the future.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2008

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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, 2009 and June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2010, wherein we noted the District was placed in fiscal caution. 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 deficiency in internal control over financial reporting: 2009-001.

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 deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated March 1, 2010.

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, and we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-005.

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 March 1, 2010.

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

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

March 1, 2010

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND JUNE 30, 2008**

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

FINDING NUMBER 2009-001

Noncompliance Citation and Significant Deficiency

Certification of Funds

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

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

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

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

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

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

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

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2009-001
(Continued)**

Noncompliance Citation and Significant Deficiency (Continued)

Certification of Funds (Continued)

During our fiscal year 2008 testing, we noted five out of 24 expenditures (or \$39,723 out of \$85,344 examined) were not encumbered prior to receiving the Treasurer's certification. Furthermore, during our fiscal year 2009 testing, we noted 13 out of 36 expenditures (or \$73,085 out of \$83,034 examined) were not encumbered prior to receiving the Treasurer's certification.

We recommend the District certify the availability of funds prior to entering into any expenditure commitment.

Management's Response:

The new financial administration has implemented new procedures and has met with staff to implement better controls over the types of expenditures causing encumbrance issues, most of the time emergency circumstances for repairs. The Treasurer will continue to work closely with all District personnel to make sure purchase orders are filed in accordance with the above Ohio Revised Code section. In addition, "Then and Now" certificate and "Super Blankets" will also be utilized in the future.

FINDING NUMBER 2009-002

Noncompliance Citation

Timely Deposits

Ohio Revised Code Section 9.38 states, in part, that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, in accordance with the Board policy, the deposit must be made no later than three business days after receiving it. The policy includes provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

During our testing of 2008 and 2009 food service receipts and charges for services, we noted the following were not deposited in accordance with the above Revised Code section and Board policy:

- 14 out of 60, or 23%, food service receipts for the other governmental funds (\$4,558 of \$19,670 examined).
- 37 out of 60, or 62%, of charges for services and extracurricular activity receipts (or \$46,371 of \$67,384 examined).

In addition, 10 of the 37, or 27%, of charges for services and extracurricular activities receipts (or \$11,601 of \$46,371), contained inadequate supporting documentation to determine the date the District receipted the monies.

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2009-002
(Continued)**

Noncompliance Citation (Continued)

Timely Deposits (Continued)

Delays of this nature could cause receipts to be lost or misplaced without being detected in a timely manner.

We recommend that the District implement a policy and procedure to document when departments deposit money with the Treasurer's Office. We also recommend the District deposit all cash collections in accordance with the above Revised Code section and Board policy.

Management's Response:

The Treasurer will work closely with all District personnel collecting money to make sure all collections are deposited in a timely manner in accordance with the above Ohio Revised Code section. The District has also implemented more stringent practices to comply with deposit rules.

FINDING NUMBER 2009-003

Noncompliance Citation

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 2008 and 2009, 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, 2008 and June 30, 2009, 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 and the District not meeting its commitments.

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.

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

**FINDING NUMBER 2009-003
(Continued)**

Noncompliance Citation (Continued)

Set-Asides and Reserve Balance Accounts (Continued)

Management’s Response:

The Treasurer will work diligently to meet the required set aside reserve expenditures as funds become available. However, the District is in fiscal caution as a result of the decrease in revenue due to the expiration of the income tax levy in December of 2008. The District has applied for a waiver of the set-aside rules as allowed under the ORC and is awaiting the response from the Ohio Department of Education.

FINDING NUMBER 2009-004

Noncompliance Citation

Expenditures Plus Encumbrances Exceeding Appropriations

Ohio Revised Code Sections 5705.41 (B) and (D) prohibit a subdivision or taxing unit from expending money unless it has been appropriated.

During our testing, we noted the following funds had expenditures plus encumbrances exceeding appropriations at June 30, 2009:

	Appropriations as of June 30, 2009	Expenditures Plus Encumbrances as of June 30, 2009	Variance
Special Revenue Funds			
Food Service	\$97,098	\$184,723	\$87,625
Uniform School Supplies	17,675	21,177	3,502
District Managed Activity	24,228	34,126	9,898
Teacher Development	-	2,920	2,920
Management Info system	5,087	14,237	9,150
Telecommunity Fund	-	11,163	11,163
Improving Teacher Quality	42,124	70,758	28,634

Failure to monitor budgetary expenditures and appropriations could result in unauthorized expenditures.

We recommend the District compare expenditures and encumbrances to appropriations in all funds which are legally required to be budgeted, at the legal level of control, prior to making expenditure commitments, and make all necessary adjustments to the amounts appropriated to ensure compliance with the above requirements. This comparison, and amendment if necessary, should be completed on a monthly basis at a minimum.

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2009-004
(Continued)**

Noncompliance Citation (Continued)

Expenditures Plus Encumbrances Exceeding Appropriations (Continued)

Management's Response:

The Treasurer will monitor expenditures and appropriations throughout the fiscal year to ensure compliance with the above section of the Ohio Revised Code.

FINDING NUMBER 2009-005

Noncompliance Citation

Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Ohio Revised Code Section 5705.40 states any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation and that no appropriation may be reduced below an amount sufficient to cover all obligations against them.

As of fiscal year end 2009 we noted the General Fund and Special Revenue Funds - Other Local Funds, Athletic Department, One Net, Ohio Reads, Summer School and Drug Free Schools had appropriations exceeding estimated resources at June 30, 2009 of \$345,911, \$7,358, \$47, \$6,000, \$8,430, \$276 and \$992, respectively. In addition, the District did not file its appropriations with the County Budget Commission and did not obtain a "Does Not Exceed Certificate." This weakness could allow expenditures to exceed the total available fund balance plus current year revenues. Further, this weakness may cause a loss of accountability over the budgetary process and could reduce the effectiveness of monitoring controls.

We recommend the District monitor appropriations to estimated revenues in all funds which are legally required to be budgeted, to ensure compliance with the above requirement. This comparison should be compared on a regular basis and any time either the certificate of estimated resources or appropriations are modified. Also, we recommend the District file all appropriation changes (increases or decreases) with the County Budget Commission.

Management's Response:

The District will monitor revenues and appropriations throughout the fiscal year to ensure compliance with the above section of the Ohio Revised Code.

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**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009 AND JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 9.38 Timely Depositing	No	Not Corrected, reissued as finding 2009-002
2007-002	ORC 3315.17(A) Set-Asides and Reserve Balance Accounts	No	Not Corrected, reissued as finding 2009-003

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Ledgemont Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 10, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;

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- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, Audit Committee, and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 1, 2010



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
MARCH 30, 2010