



**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
General Purpose Financial Statements	4
Notes to the General Purpose Financial Statements	17
Independent Accountants' Report on Compliance on Internal Control Required by <i>Government Auditing Standards</i>	39
Schedule of Findings	41
Schedule of Prior Audit Findings	42

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying general-purpose financial statements of the Ledgemont Local School District, Geauga County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ledgemont Local School District, Geauga County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 27, 2003

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Ledgemont Local School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$863,714	\$174,482	\$264,987	\$19,309
Receivables:				
Property Taxes	1,992,050	18,346	3,836	0
Income Taxes	233,741	0	0	0
Accounts	0	5,433	0	0
Intergovernmental Receivable	17,775	80,926	0	0
Interfund Receivable	10,268	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	19,869	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	144,513	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$3,281,930	\$279,187	\$268,823	\$19,309

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$45,459	\$25,384	\$0	\$0	\$1,393,335
0	0	0	0	2,014,232
0	0	0	0	233,741
0	0	0	0	5,433
0	0	0	0	98,701
0	0	0	0	10,268
2,561	0	0	0	2,561
384	0	0	0	20,253
0	0	0	0	144,513
6,505	0	1,760,504	0	1,767,009
0	0	0	264,987	264,987
0	0	0	283,458	283,458
<u>\$54,909</u>	<u>\$25,384</u>	<u>\$1,760,504</u>	<u>\$548,445</u>	<u>\$6,238,491</u>

(continued)

Ledgemont Local School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$31,990	\$7,933	\$0	\$15,767
Accrued Wages and Benefits	356,062	8,526	0	0
Compensated Absences Payable	13,079	0	0	0
Interfund Payable	0	10,268	0	0
Intergovernmental Payable	98,690	1,231	0	0
Deferred Revenue	1,808,798	14,780	3,836	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>2,308,619</u>	<u>42,738</u>	<u>3,836</u>	<u>15,767</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	23,397	1,465	0	0
Reserved for Inventory	19,869	0	0	0
Reserved for Budget Stabilization	23,784	0	0	0
Reserved for Capital Improvements	109,767	0	0	0
Reserved for Bus Purchases	10,962	0	0	0
Reserved for Property Taxes	183,252	3,566	0	0
Unreserved, Undesignated	602,280	231,418	264,987	3,542
<i>Total Fund Equity and Other Credits</i>	<u>973,311</u>	<u>236,449</u>	<u>264,987</u>	<u>3,542</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u><u>\$3,281,930</u></u>	<u><u>\$279,187</u></u>	<u><u>\$268,823</u></u>	<u><u>\$19,309</u></u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$183	\$0	\$0	\$0	\$55,873
7,096	0	0	0	371,684
1,358	0	0	328,274	342,711
0	0	0	0	10,268
11,130	0	0	55,171	166,222
0	0	0	0	1,827,414
0	25,384	0	0	25,384
0	0	0	165,000	165,000
<u>19,767</u>	<u>25,384</u>	<u>0</u>	<u>548,445</u>	<u>2,964,556</u>
0	0	1,760,504	0	1,760,504
469	0	0	0	469
34,673	0	0	0	34,673
0	0	0	0	24,862
0	0	0	0	19,869
0	0	0	0	23,784
0	0	0	0	109,767
0	0	0	0	10,962
0	0	0	0	186,818
0	0	0	0	1,102,227
<u>35,142</u>	<u>0</u>	<u>1,760,504</u>	<u>0</u>	<u>3,273,935</u>
<u>\$54,909</u>	<u>\$25,384</u>	<u>\$1,760,504</u>	<u>\$548,445</u>	<u>\$6,238,491</u>

Ledgemont Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003*

	General	Special Revenue
Revenues		
Property Taxes	\$2,208,326	\$35,319
Income Taxes	461,220	0
Intergovernmental	2,556,863	226,127
Interest	27,842	2,260
Tuition and Fees	204,005	0
Extracurricular Activities	9,883	77,634
Contributions and Donations	2,104	26,713
Rentals	12,500	0
Miscellaneous	47,039	0
<i>Total Revenues</i>	<u>5,529,782</u>	<u>368,053</u>
Expenditures		
Current:		
Instruction:		
Regular	2,344,467	69,440
Special	985,447	63,406
Vocational	133,634	0
Support Services:		
Pupils	75,857	0
Instructional Services	118,550	10,830
Board of Education	19,529	0
Administration	420,041	48,244
Fiscal	191,042	603
Operation and Maintenance of Plant	552,081	68,000
Pupil Transportation	464,043	0
Central	0	11,577
Operation of Non-Instructional Services	0	7,820
Extracurricular Activities	77,249	34,094
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	0
Interest	0	0
<i>Total Expenditures</i>	<u>5,381,940</u>	<u>314,014</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>147,842</u>	<u>54,039</u>
Other Financing Sources (Uses)		
Sale of Fixed Assets	1,940	0
Operating Transfers In	0	10,000
Operating Transfers Out	(10,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(8,060)</u>	<u>10,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	139,782	64,039
<i>Fund Balances Beginning of Year</i>	832,341	172,410
Increase in Reserve for Inventory	1,188	0
<i>Fund Balances End of Year</i>	<u>\$973,311</u>	<u>\$236,449</u>

See accompanying notes to the general purpose financial statements

Debt Service	Capital Projects	Totals (Memorandum Only)
\$28,768	\$21,200	\$2,293,613
0	0	461,220
4,495	7,280	2,794,765
0	0	30,102
0	0	204,005
0	0	87,517
0	0	28,817
0	0	12,500
0	0	47,039
<u>33,263</u>	<u>28,480</u>	<u>5,959,578</u>
0	0	2,413,907
0	0	1,048,853
0	0	133,634
0	0	75,857
0	0	129,380
0	0	19,529
0	0	468,285
593	0	192,238
0	0	620,081
0	0	464,043
0	0	11,577
0	0	7,820
0	0	111,343
0	25,290	25,290
55,000	0	55,000
<u>26,950</u>	<u>1,100</u>	<u>28,050</u>
<u>82,543</u>	<u>26,390</u>	<u>5,804,887</u>
<u>(49,280)</u>	<u>2,090</u>	<u>154,691</u>
0	0	1,940
0	0	10,000
<u>0</u>	<u>0</u>	<u>(10,000)</u>
<u>0</u>	<u>0</u>	<u>1,940</u>
(49,280)	2,090	156,631
314,267	1,452	1,320,470
<u>0</u>	<u>0</u>	<u>1,188</u>
<u>\$264,987</u>	<u>\$3,542</u>	<u>\$1,478,289</u>

Ledgemont Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes	\$2,140,940	\$2,170,874	\$29,934
Income Taxes	290,860	290,860	0
Intergovernmental	2,454,529	2,543,909	89,380
Interest	28,100	28,780	680
Tuition and Fees	199,188	204,005	4,817
Extracurricular Activities	9,650	9,883	233
Contributions and Donations	2,054	2,104	50
Rentals	12,205	12,500	295
Miscellaneous	46,993	47,039	46
<i>Total Revenues</i>	<u>5,184,519</u>	<u>5,309,954</u>	<u>125,435</u>
Expenditures			
Current:			
Instruction:			
Regular	2,465,647	2,331,964	133,683
Special	1,021,415	1,002,389	19,026
Vocational	142,724	132,235	10,489
Support Services:			
Pupils	92,228	81,273	10,955
Instructional Staff	125,495	118,188	7,307
Board of Education	15,651	14,548	1,103
Administration	443,661	422,777	20,884
Fiscal	203,762	193,411	10,351
Operation and Maintenance of Plant	579,707	558,824	20,883
Pupil Transportation	484,429	459,920	24,509
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	84,727	77,065	7,662
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>5,659,446</u>	<u>5,392,594</u>	<u>266,852</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(474,927)</u>	<u>(82,640)</u>	<u>392,287</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	1,940	1,940	0
Operating Transfers In	0	0	0
Operating Transfers Out	(10,057)	(10,000)	57
<i>Total Other Financing Sources (Uses)</i>	<u>(8,117)</u>	<u>(8,060)</u>	<u>57</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(483,044)</u>	<u>(90,700)</u>	<u>392,344</u>
<i>Fund Balances Beginning of Year</i>	805,297	805,297	0
Prior Year Encumbrances Appropriated	251,032	251,032	0
<i>Fund Balances End of Year</i>	<u>\$573,285</u>	<u>\$965,629</u>	<u>\$392,344</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$36,284	\$35,557	(\$727)	\$54,428	\$54,268	(\$160)
0	0	0	0	0	0
188,545	145,329	(43,216)	4,264	4,513	249
500	2,260	1,760	0	0	0
0	0	0	0	0	0
69,000	72,313	3,313	0	0	0
0	26,713	26,713	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
294,329	282,172	(12,157)	58,692	58,781	89
105,782	71,535	34,247	0	0	0
86,845	61,933	24,912	0	0	0
0	0	0	0	0	0
699	0	699	0	0	0
30,450	12,254	18,196	0	0	0
0	0	0	0	0	0
47,737	47,737	0	0	0	0
703	603	100	599	593	6
107,415	68,000	39,415	0	0	0
0	0	0	0	0	0
11,710	11,650	60	0	0	0
11,982	9,646	2,336	0	0	0
37,654	34,548	3,106	0	0	0
0	0	0	304,750	75,000	229,750
0	0	0	63,292	28,150	35,142
440,977	317,906	123,071	368,641	103,743	264,898
(146,648)	(35,734)	110,914	(309,949)	(44,962)	264,987
0	0	0	0	0	0
10,000	10,000	0	0	0	0
0	0	0	0	0	0
10,000	10,000	0	0	0	0
(136,648)	(25,734)	110,914	(309,949)	(44,962)	264,987
175,881	175,881	0	309,949	309,949	0
16,860	16,860	0	0	0	0
\$56,093	\$167,007	\$110,914	\$0	\$264,987	\$264,987

(continued)

Ledgemont Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2003*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes	\$0	\$0	\$0
Income Taxes	0	0	0
Intergovernmental	15,099	7,280	(7,819)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>15,099</u>	<u>7,280</u>	<u>(7,819)</u>
Expenditures			
Current:			
Instruction:			
Regular	35,362	33,620	1,742
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Services	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	158	0	158
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>35,520</u>	<u>33,620</u>	<u>1,900</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(20,421)</u>	<u>(26,340)</u>	<u>(5,919)</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(20,421)</u>	<u>(26,340)</u>	<u>(5,919)</u>
<i>Fund Balances Beginning of Year</i>	22,062	22,062	0
<i>Prior Year Encumbrances Appropriated</i>	7,820	7,820	0
<i>Fund Balances End of Year</i>	<u>\$9,461</u>	<u>\$3,542</u>	<u>(\$5,919)</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,231,652	\$2,260,699	\$29,047
290,860	290,860	0
2,662,437	2,701,031	38,594
28,600	31,040	2,440
199,188	204,005	4,817
78,650	82,196	3,546
2,054	28,817	26,763
12,205	12,500	295
46,993	47,039	46
<u>5,552,639</u>	<u>5,658,187</u>	<u>105,548</u>
2,606,791	2,437,119	169,672
1,108,260	1,064,322	43,938
142,724	132,235	10,489
92,927	81,273	11,654
155,945	130,442	25,503
15,651	14,548	1,103
491,398	470,514	20,884
205,064	194,607	10,457
687,280	626,824	60,456
484,429	459,920	24,509
11,710	11,650	60
11,982	9,646	2,336
122,381	111,613	10,768
304,750	75,000	229,750
63,292	28,150	35,142
<u>6,504,584</u>	<u>5,847,863</u>	<u>656,721</u>
<u>(951,945)</u>	<u>(189,676)</u>	<u>762,269</u>
1,940	1,940	0
10,000	10,000	0
<u>(10,057)</u>	<u>(10,000)</u>	<u>57</u>
<u>1,883</u>	<u>1,940</u>	<u>57</u>
(950,062)	(187,736)	762,326
1,313,189	1,313,189	0
<u>275,712</u>	<u>275,712</u>	<u>0</u>
<u>\$638,839</u>	<u>\$1,401,165</u>	<u>\$762,326</u>

Ledgemont Local School District
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003*

	Enterprise
Operating Revenues	
Sales	\$110,588
Operating Expenses	
Salaries and Wages	51,002
Fringe Benefits	20,536
Purchased Services	2,422
Cost of Sales	100,335
Depreciation	320
<i>Total Operating Expenses</i>	174,615
<i>Operating Loss</i>	(64,027)
Non-Operating Revenues	
Federal Donated Commodities	17,573
Operating Grants	48,076
<i>Total Non-Operating Revenues</i>	65,649
<i>Net Income</i>	1,622
<i>Retained Earnings Beginning of Year</i>	33,051
<i>Retained Earnings End of Year</i>	34,673
Contributed Capital Beginning and End of Year	469
<i>Total Fund Equity End of Year</i>	\$35,142

See accompanying notes to the general purpose financial statements

Ledgemont Local School District
*Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$98,010	\$110,719	\$12,709
Operating Grants	47,057	53,633	6,576
<i>Total Revenues</i>	<u>145,067</u>	<u>164,352</u>	<u>19,285</u>
Expenses			
Salaries and Wages	51,387	49,939	1,448
Fringe Benefits	18,612	16,079	2,533
Purchased Services	2,422	2,422	0
Materials and Supplies	99,835	84,797	15,038
Capital Outlay	2,462	2,462	0
<i>Total Expenses</i>	<u>174,718</u>	<u>155,699</u>	<u>19,019</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(29,651)	8,653	38,304
<i>Fund Equity Beginning of Year</i>	34,719	34,719	0
Prior Year Encumbrances Appropriated	<u>2,087</u>	<u>2,087</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$7,155</u></u>	<u><u>\$45,459</u></u>	<u><u>\$38,304</u></u>

See accompanying notes to the general purpose financial statements

Ledgemont Local School District
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003

	Enterprise
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$110,719
Cash Payments for Goods and Services	(87,219)
Cash Payments to Employees for Services and Benefits	(66,018)
<i>Net Cash Used for Operating Activities</i>	(42,518)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	53,633
Cash Flows from Capital and Related Financing Activities	
Purchase of Fixed Assets	(2,462)
<i>Net Increase in Cash and Cash Equivalents</i>	8,653
<i>Cash and Cash Equivalents Beginning of Year</i>	36,806
<i>Cash and Cash Equivalents End of Year</i>	\$45,459
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$64,027)
Adjustments	
Depreciation	320
Donated Commodities Received During Year	17,573
<i>(Increase) Decrease in Assets</i>	
Accounts Receivable	131
Materials and Supplies Inventory	90
Inventory Held for Resale	(994)
<i>Increase (Decrease) in Liabilities</i>	
Accounts Payable	(1,131)
Accrued Wages and Benefits	1,063
Compensated Absences Payable	310
Intergovernmental Payable	4,147
<i>Total Adjustments</i>	21,509
<i>Net Cash Used for Operating Activities</i>	(\$42,518)

Non-Cash Non-Capital Activity:

Federal donated commodities in the amount of \$17,573 were recorded as revenue when received.

See accompanying notes to the general purpose financial statements

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 39 classified employees, 55 certificated full-time and part-time teaching personnel and 4 administrators who provide services to 742 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 general purpose financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Ledgemont Local School District this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

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

The School District participates in five jointly governed organizations. These organizations are the Lake Geauga Computer Association, the Ohio Schools' Council, the Ashtabula Joint Vocational School, East Shore Regional Transportation System and East Shore Center. These organizations are presented in Note 17 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the 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 proprietary activities provided they do not 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 General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds or fiduciary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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.

Special Revenue Funds Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related cost.

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type The proprietary fund is used to account for the School District's ongoing activities which are similar to those found in the private sector. The School District has only enterprise type proprietary fund.

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

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Fiduciary Fund Type Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary fund.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary fund.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

Revenue Recognition 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 year-end.

Non-exchange 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 are recognized in the period in which the exchange on which the tax is imposed takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

requirements, which specify the year when the resources are required to be used or the fiscal 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 non-exchange 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 fiscal year-end: property taxes available as an advance, income taxes, interest, tuition, grants, student 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before 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.

Expenditures/Expenses 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.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Geauga County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed by the Board.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2003 investments were limited to STAROhio and repurchase agreements. Repurchase agreements are reported at cost.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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, 2003.

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 2003 amounted to \$27,842 which includes \$8,107 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food and school supplies held for resale and are expensed when used.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the general fund include unexpended grant revenue restricted to the purchase of buses and amounts required by statute to be set-aside by the School District for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the enterprise funds is computed using the straight-line method over an estimated useful life that ranges from 8 to 20 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

H. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables” and “interfund payables”.

I. 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 School District 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 it is probable that the benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District’s debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. 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 appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of materials and supplies, budget stabilization, capital improvements, bus purchases and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money set-aside to protect against unanticipated fluctuations in revenues and expenditures.

M. Contributed Capital

Contributed capital in the proprietary funds represents resources provided prior to fiscal year 2003, from other funds, other governments and private sources to enterprise funds which are not subject to repayment. In fiscal year 2003, the School District had no capital contributions.

N. Estimates

The preparation of the 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.

O. Memorandum Only - Totals Columns

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 – Accountability and Compliance

A. Fund Deficit

The Title III special revenue fund had a deficit fund balance at fiscal year end in the amount of \$1,000. The deficit in this special revenue fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, rather than when accruals occur.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

B. Compliance

The School District was in violation of Ohio Revised Code Section 5705.41(B) and (D) by entering into an expenditure commitment prior to receiving the Fiscal Officer's certification.

The School District was also in violation of Ohio Revised Code Section 9.38 by not depositing cash collected with the Treasurer or depository within twenty-four hours of receipt.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Net Income/Excess of Revenues Over Expenses Proprietary Fund Type	Enterprise
GAAP Basis	\$1,622
Net Adjustment for Revenue Accruals	(11,885)
Net Adjustment for Expense Accruals	21,058
Capital Outlay	(2,462)
Depreciation Expense	320
Budget Basis	\$8,653

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$139,782	\$64,039	(\$49,280)	\$2,090
Net Adjustment for				
Revenue Accruals	(219,828)	(85,881)	4,318	0
Net Adjustment for				
Expenditure Accruals	31,944	3,583	0	(12,663)
Reclassification of Debt:				
Taxes	0	0	21,200	(21,200)
Principal Retirement	0	0	(20,000)	20,000
Interest and Fiscal Charges	0	0	(1,200)	1,200
Encumbrances	<u>(42,598)</u>	<u>(7,475)</u>	<u>0</u>	<u>(15,767)</u>
Budget Basis	<u><u>(\$90,700)</u></u>	<u><u>(\$25,734)</u></u>	<u><u>(\$44,962)</u></u>	<u><u>(\$26,340)</u></u>

Note 5 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$1,332,225 and the bank balance was \$1,705,227. \$200,000 of the bank balance was covered by federal depository insurance. \$1,505,227 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

trust department or agent but not in the School District's name. The School District invests in STAROhio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$78,494	\$78,494	\$78,494
STAROhio		127,129	127,129
<i>Totals</i>		\$205,623	\$205,623

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accountability."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$1,537,848	\$0
Investments which are part of the cash management pool:		
Repurchase Agreement	(78,494)	78,494
STAROhio	(127,129)	127,129
GASB Statement No. 3	\$1,332,225	\$205,623

Note 6 - Receivables

Receivables at June 30, 2003, consisted of property taxes, income taxes, accounts (rent, billings for user charged services, and tuition and fees), interfund, interest and intergovernmental grants. All receivables are considered collectible in full.

The principal intergovernmental receivables were:

General Fund:	
Library Reimbursement	\$17,775
Special Revenue Funds:	
Title VI-B	52,013
Title I	6,325
Title V	2,838
Title II	18,866
Title II-D	884
Total Special Revenue Funds	80,926
Total Intergovernmental Receivable	\$98,701

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Geauga and Ashtabula Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 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, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end.. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$183,252 in the general fund and \$3,566 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2002, was \$145,800 in the general fund, \$2,200 in the classroom facilities maintenance special revenue fund and \$4,300 in the bond retirement fund.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$64,099,450	88.82 %	\$74,248,010	88.82 %
Public Utility Personal	3,551,830	4.92	3,527,390	4.22
Tangible Personal Property	4,519,890	6.26	5,818,740	6.96
Total	<u><u>\$72,171,170</u></u>	<u><u>100.00 %</u></u>	<u><u>\$83,594,140</u></u>	<u><u>100.00 %</u></u>
 Tax rate per \$1,000 of assessed valuation	 \$56.31		 \$56.31	

Note 8 - Interfund Transactions

Interfund balances at June 30, 2003, consist of an interfund receivable of \$10,268 in the general fund and an interfund payable of \$10,268 in the Title VI-B special revenue fund.

Note 9 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

	<u>Enterprise</u>
Furniture, Fixtures and Equipment	\$66,257
Less: Accumulated Depreciation	(59,752)
Net Fixed Assets	<u><u>\$6,505</u></u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Balance	Additions	Deletions	Balance
	6/30/02			6/30/03
Land	\$63,500	\$0	\$0	\$63,500
Buildings and Improvements	397,540	0	0	397,540
Furniture and Equipment	848,709	52,014	32,219	868,504
Vehicles	496,726	0	65,766	430,960
Total	<u><u>\$1,806,475</u></u>	<u><u>\$52,014</u></u>	<u><u>\$97,985</u></u>	<u><u>\$1,760,504</u></u>

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 10 - 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 2003, the School District contracted with Indiana Insurance Company, Ohio Casualty Insurance, Travelers Insurance and Todd/Indiana Insurance. Coverage is as follows:

Company	Type of Coverage	Coverage Amount
Indiana Insurance Company	Building and Contents - replacement cost	\$12,190,599
	Extra Expense Coverage	1,000,000
	Valuable Papers	100,000
	Inland Marine Coverage	628,914
Ohio Casualty Insurance	Crime Insurance	250,000
Travelers Insurance Company	Boiler and Machinery	30,000,000
	Consequential Loss	50,000
	Expediting Expenses	100,000
	Hazardous Substance	100,000
	Ammonia Contamination	100,000
	Water Damage	100,000
	Media	100,000
	Off Premises Service Interruption	500,000
	Ordinance or Law	1,000,000
Todd/Indiana	Automobile Liability	
	Uninsured Motorist	1,000,000
	Umbrella (per occurrence)	2,000,000
Todd/Indiana	General Liability	
	Per Occurrence	1,000,000
	Total per Year	5,000,000

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

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

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 11 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

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

Note 12 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$63,679, \$31,073 and \$29,979 respectively; 47.72 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$30,388 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 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 2002, the portion used to fund pension obligations was 9.5 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 the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$279,167, \$194,434 and \$189,525 respectively; 80.77 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$3,283 made by the School District and \$3,041 made by the plan members. \$53,681 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

Note 13 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$21,474 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$66,111.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 14 - Other Employee Benefits

A. Compensated Absences

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

B. Insurance

Medical, surgical, vision and dental insurance is offered to employees through Medical Mutual Insurance Company of Ohio. The traditional plan has a \$100 deductible for single and a \$200 deductible for family. The co-payment is 90/10. The premium for single is \$255.60 and \$649.04 for family. The HMO plan (also offered through Medical Mutual Insurance Company of Ohio) includes prescription coverage and has no deductible. The premium for HMO coverage is \$364.57 for single and \$921.45 for family.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Life insurance is offered to employees through Anthem Life Insurance Company of Columbus, Ohio. The Superintendent receives \$173,060 coverage for \$25.09 per month; administrators, supervisors, certified, custodial and clerical employees receive \$50,000 for \$7.25 per month.

Note 15 - Note Debt

The School District's note activity, including amount outstanding and interest rate follow:

	<u>Principal Outstanding 6/30/2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2003</u>
Energy Conservation Fund:				
Energy Conservation Note				
1993, 6.0%	\$20,000	\$0	\$20,000	\$0

The energy conservation notes were issued for the purpose of energy conservation purchases. These notes were backed by the full faith and credit of the Ledgemont Local School District. The note liability was reflected in the fund which received the proceeds and was retired during fiscal year 2003.

Note 16 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<u>Principal Outstanding 06/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 06/30/03</u>
General Obligation Bonds:				
Classroom Facilities Bonds 1982, 14.0%	\$220,000	\$0	\$55,000	\$165,000
Compensated Absences	297,730	38,221	7,677	328,274
Pension Obligations	47,571	55,171	47,571	55,171
<i>Total General Long-Term Obligations</i>	<u>\$565,301</u>	<u>\$93,392</u>	<u>\$110,248</u>	<u>\$548,445</u>

The general obligation bonds will be paid from the debt service fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$7,788,460 with an unvoted debt margin of \$83,594 at June 30, 2003. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003 are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$55,000	\$19,250	\$74,250
2005	55,000	15,400	70,400
2006	55,000	3,850	58,850
Total	<u>\$165,000</u>	<u>\$38,500</u>	<u>\$203,500</u>

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 17 - 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 2003, no fees were paid to the Association. This includes payments for prior fiscal years. Financial information can be obtained from: Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

Ohio Schools' Council The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2003, the School District paid \$2,614 to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

Ashtabula Joint Vocational School The Ashtabula Joint Vocational School is a jointly governed organization among eleven school districts. The governing board consists of the superintendents of the member school districts. The students of each participating school district may attend classes offered at the vocational facility. Continued existence of the Ashtabula Joint Vocational School is not dependent on the School District's continued participation. In fiscal year 2003, 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 General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

East Shore Regional Transportation System The East Shore Regional Transportation System (ESRTA) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2003, no fee was paid to the System. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

East Shore Center The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. East Shore Center is not accumulating significant resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. In fiscal year 2003, 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 18 - Set-Aside Calculations

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 the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be 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, 2003, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2002	(\$79,004)	\$55,322	\$23,784
Current Year Set-aside Requirement	85,703	85,703	0
Qualifying Disbursements	(25,162)	(31,258)	0
Set-aside Balance Carried Forward to Future Fiscal Years	(18,463)	\$109,767	\$23,784
Set-aside Reserve Balance as of June 30, 2003	\$0	\$109,767	\$23,784

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$133,551.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 19 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Ledgemont Local School District as of and for the fiscal year ended June 30, 2003.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$94,402	\$16,186	\$110,588
Depreciation	320	0	320
Operating Income (Loss)	(69,750)	5,723	(64,027)
Federal Donated Commodities	17,573	0	17,573
Operating Grants	48,076	0	48,076
Net Income (Loss)	(4,101)	5,723	1,622
Fixed Asset Additions	2,462	0	2,462
Net Working Capital	9,640	18,997	28,637
Total Assets	35,912	18,997	54,909
Total Equity	16,145	18,997	35,142

Note 20 - State School Funding Decision

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

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

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statement of the Ledgemont Local School District, Geauga County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 27, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated October 27, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 27, 2003.

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

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

Betty Montgomery
Auditor of State

October 27, 2003

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001
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Ohio Rev. Code Section 5705.41 (B) & (D) states, in part, that no purchase orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection of the credit of an appropriate fund free from any previous encumbrances.

During our test of non-payroll expenditures, we found that 13 out of 60 expenditure commitments were entered into prior to receiving the Fiscal Officer's certification.

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

Finding Number	2003-002
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Ohio Rev. Code Section 9.38 requires public money to be deposited with the treasurer of the public office or to a designated depository within 24 hours of collection.

During our testing of FY2003 Extra-curricular Activity Revenue for Special Revenue and Agency Funds we found that the cash being collected was not deposited with the Treasurer or depository within 24 hours. The testing revealed 12 out of 27 (or 44%) receipts in the Agency Fund and 16 out of 33 (or 48%) receipts in the Special Revenue Fund were not timely deposited.

During our testing of FY2003 refund of prior year receipts in the General Fund we found that cash collected was not deposited within 24 hours. The testing revealed 5 out of 8 (or 62.5%) receipts were not timely deposited.

We recommend that the District follow their depositing procedures and deposit cash collected to the Treasurer or depository within 24 hours.

Finding Number	2003-003
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Cash balances include cash in bank accounts and other imprest accounts such as payroll. Cash is an asset that is very susceptible to embezzlement and is considered a high risk asset because of its liquidity and its desirability. In order for the cash to be properly monitored and accounted for, most entities perform monthly bank reconciliations. This reconciliation verifies the cash balance reported in the general ledger agrees to the adjusted balance per the bank statement and it is also used to determine whether all cash receipts and disbursements have been properly recorded.

A review of the bank reconciliations noted unsupported book to bank variances. As of June 30, 2003, the bank reconciliation disclosed an adjusted bank balance exceeding the adjusted book balance by \$164.45.

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

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Ohio Rev. Code Section 5705.39, appropriations exceeding estimated revenues	No	Partially Corrected
2002-002	Ohio Rev. Code Section 5705.41(B) & (D), expenditures plus encumbrances exceeding appropriations	No	Partially Corrected
2002-003	Ohio Rev. Code Section 9.38, public money being deposited with the treasurer or designated depository within 24 hours of collection	No	Not Corrected, see 2003-002



**Auditor of State
Betty Montgomery**

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LEDGEMONT LOCAL SCHOOL DISTRICT

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 9, 2003**