



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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 years ended June 30, 2000 and June 30, 1999, 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits provide 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, 2000 and June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the June 30, 1999 Notes to the accompanying financial statements, the District restated the General and Special Revenue Fund's fund equity.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2000 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 audits.

Jim Petro
Auditor of State

December 12, 2000

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Ledgemont Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$415,293	\$90,117	\$358,181	\$4,805
Receivables:				
Taxes	2,170,975	14,910	84,626	0
Accounts	641	0	0	0
Accrued Interest	3,687	0	0	0
Intergovernmental Receivable	0	12,349	0	0
Due from Other Funds	170	0	0	0
Interfund Receivable	5,660	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	28,642	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	60,439	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	\$2,685,507	\$117,376	\$442,807	\$4,805
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$46,380	\$340	\$0	\$0
Accrued Wages and Benefits	336,892	13,351	0	0
Compensated Absences Payable	18,996	0	0	0
Interfund Payable	0	5,660	0	0
Intergovernmental Payable	84,480	2,180	0	0
Deferred Revenue	2,021,075	14,910	80,826	0
Due to Students	0	0	0	0
Due to Other Funds	0	170	0	0
Accrued Interest Payable	0	0	0	300
Notes Payable	0	0	0	60,000
Capital Leases Payable	0	0	0	0
Installment Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	2,507,823	36,611	80,826	60,300
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	63,934	24,680	40,350	0
Reserved for Inventory	28,642	0	0	0
Reserved for Budget Stabilization	23,432	0	0	0
Reserved for Capital Improvements	37,007	0	0	0
Reserved for Property Taxes	149,900	0	3,800	0
Unreserved, Undesignated (Deficit)	(125,231)	56,085	317,831	(55,495)
Total Fund Equity (Deficit) and Other Credits	177,684	80,765	361,981	(55,495)
Total Liabilities, Fund Equity and Other Credits	\$2,685,507	\$117,376	\$442,807	\$4,805

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			
\$24,937	\$38,528	\$0	\$0	\$931,861
0	0	0	0	2,270,511
0	0	0	0	641
0	0	0	0	3,687
0	0	0	0	12,349
0	0	0	0	170
0	0	0	0	5,660
1,890	0	0	0	1,890
510	0	0	0	29,152
0	0	0	0	60,439
3,807	0	1,844,428	0	1,848,235
0	0	0	361,981	361,981
0	0	0	342,418	342,418
<u>\$31,144</u>	<u>\$38,528</u>	<u>\$1,844,428</u>	<u>\$704,399</u>	<u>\$5,868,994</u>
\$1,139	\$0	\$0	\$0	\$47,859
6,779	0	0	0	357,022
878	0	0	309,991	329,865
0	0	0	0	5,660
7,128	0	0	54,427	148,215
1,161	0	0	0	2,117,972
0	38,528	0	0	38,528
0	0	0	0	170
0	0	0	0	300
0	0	0	0	60,000
0	0	0	8,895	8,895
0	0	0	1,086	1,086
0	0	0	330,000	330,000
<u>17,085</u>	<u>38,528</u>	<u>0</u>	<u>704,399</u>	<u>3,445,572</u>
0	0	1,844,428	0	1,844,428
469	0	0	0	469
13,590	0	0	0	13,590
0	0	0	0	128,964
0	0	0	0	28,642
0	0	0	0	23,432
0	0	0	0	37,007
0	0	0	0	153,700
0	0	0	0	193,190
<u>14,059</u>	<u>0</u>	<u>1,844,428</u>	<u>0</u>	<u>2,423,422</u>
<u>\$31,144</u>	<u>\$38,528</u>	<u>\$1,844,428</u>	<u>\$704,399</u>	<u>\$5,868,994</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, 2000*

	General	Special Revenue
Revenues		
Taxes	\$2,068,358	\$0
Intergovernmental	2,258,754	270,330
Interest	54,059	101
Tuition and Fees	283,382	0
Extracurricular Activities	0	44,796
Contributions and Donations	7,234	10,649
Rentals	15,100	0
	Total Revenues	325,876
Expenditures		
Current:		
Instruction:		
Regular	1,939,253	174,473
Special	496,959	66,815
Vocational	117,801	0
Support Services:		
Pupils	82,915	0
Instructional Services	81,967	9,558
Board of Education	9,172	0
Administration	350,960	39,298
Fiscal	180,020	0
Operation and Maintenance of Plant	462,786	4,824
Pupil Transportation	476,024	0
Central	0	11,766
Extracurricular Activities	59,992	19,443
Capital Outlay	13,420	0
Debt Service:		
Principal Retirement	8,986	0
Interest and Fiscal Charges	4,750	0
	Total Expenditures	326,177
<i>Excess of Revenues Over (Under) Expenditures</i>	401,882	(301)
Other Financing Sources		
Proceeds from Sale of Fixed Assets	650	0
	Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(301)
<i>Fund Balances (Deficit) Beginning of Year</i>	(227,241)	81,066
Increase in Reserve for Inventory	2,393	0
<i>Fund Balances (Deficit) End of Year</i>	\$177,684	\$80,765

See accompanying notes to the general purpose financial statements

Debt Service	Capital Projects	Totals (Memorandum Only)
\$101,673	\$0	\$2,170,031
14,194	20,500	2,563,778
0	97	54,257
0	0	283,382
0	0	44,796
0	0	17,883
0	0	15,100
<u>115,867</u>	<u>20,597</u>	<u>5,149,227</u>
0	0	2,113,726
0	0	563,774
0	0	117,801
0	0	82,915
0	0	91,525
0	0	9,172
0	0	390,258
0	0	180,020
0	0	467,610
0	0	476,024
0	0	11,766
0	0	79,435
0	3,770	17,190
80,000	0	88,986
52,905	4,425	62,080
<u>132,905</u>	<u>8,195</u>	<u>4,752,282</u>
(17,038)	12,402	396,945
<u>0</u>	<u>0</u>	<u>650</u>
(17,038)	12,402	397,595
379,019	(67,897)	164,947
<u>0</u>	<u>0</u>	<u>2,393</u>
<u>\$361,981</u>	<u>(\$55,495)</u>	<u>\$564,935</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, 2000*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$2,156,663	\$2,179,958	\$23,295
Intergovernmental	2,258,755	2,258,755	0
Interest	48,654	48,654	0
Tuition and Fees	287,912	284,222	(3,690)
Extracurricular Activities	0	0	0
Contributions and Donations	7,234	7,234	0
Rentals	15,100	15,100	0
<i>Total Revenues</i>	<u>4,774,318</u>	<u>4,793,923</u>	<u>19,605</u>
Expenditures			
Current:			
Instruction:			
Regular	1,484,534	1,997,688	(513,154)
Special	528,811	516,553	12,258
Vocational	121,263	119,869	1,394
Support Services:			
Pupils	96,812	86,226	10,586
Instructional Staff	81,904	81,562	342
Board of Education	14,387	14,051	336
Administration	389,890	366,273	23,617
Fiscal	189,958	178,570	11,388
Operation and Maintenance of Plant	518,874	477,557	41,317
Pupil Transportation	554,891	514,158	40,733
Central	0	0	0
Extracurricular Activities	63,711	59,621	4,090
Capital Outlay	40,595	20,671	19,924
Debt Service:			
Principal Retirement	155,558	155,558	0
Interest and Fiscal Charges	3,987	3,793	194
<i>Total Expenditures</i>	<u>4,245,175</u>	<u>4,592,150</u>	<u>(346,975)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	529,143	201,773	(327,370)
Other Financing Sources			
Sale of Fixed Assets	179	650	471
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	529,322	202,423	(326,899)
Fund Balances Beginning of Year	102,185	102,185	0
Prior Year Encumbrances Appropriated	79,318	79,318	0
<i>Fund Balances End of Year</i>	<u><u>\$710,825</u></u>	<u><u>\$383,926</u></u>	<u><u>(\$326,899)</u></u>

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$139,732	\$139,873	\$141
273,579	257,981	(15,598)	14,194	14,194	0
0	101	101	0	0	0
0	0	0	0	0	0
32,888	46,281	13,393	0	0	0
21,637	10,649	(10,988)	0	0	0
0	0	0	0	0	0
<u>328,104</u>	<u>315,012</u>	<u>(13,092)</u>	<u>153,926</u>	<u>154,067</u>	<u>141</u>
204,060	199,907	4,153	0	0	0
89,503	68,332	21,171	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
9,807	8,160	1,647	0	0	0
0	0	0	0	0	0
41,135	35,725	5,410	0	0	0
0	0	0	0	0	0
22,358	4,824	17,534	0	0	0
0	0	0	0	0	0
12,550	12,532	18	0	0	0
28,159	23,252	4,907	0	0	0
0	0	0	0	0	0
0	0	0	95,000	110,000	(15,000)
0	0	0	161,916	82,755	79,161
<u>407,572</u>	<u>352,732</u>	<u>54,840</u>	<u>256,916</u>	<u>192,755</u>	<u>64,161</u>
(79,468)	(37,720)	41,748	(102,990)	(38,688)	64,302
0	0	0	0	0	0
(79,468)	(37,720)	41,748	(102,990)	(38,688)	64,302
81,089	81,089	0	356,519	356,519	0
16,238	16,238	0	0	0	0
<u>\$17,859</u>	<u>\$59,607</u>	<u>\$41,748</u>	<u>\$253,529</u>	<u>\$317,831</u>	<u>\$64,302</u>

(continued)

Ledgemont Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2000*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$0	\$0	\$0
Intergovernmental	0	1,000	1,000
Interest	98	98	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	0	0	0
<i>Total Revenues</i>	<u>98</u>	<u>1,098</u>	<u>1,000</u>
Expenditures			
Current:			
Instruction:			
Regular	0	0	0
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	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	8,570	6,497	2,073
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>8,570</u>	<u>6,497</u>	<u>2,073</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(8,472)	(5,399)	3,073
Other Financing Sources			
Sale of Fixed Assets	0	0	0
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	(8,472)	(5,399)	3,073
<i>Fund Balances Beginning of Year</i>	7,335	7,335	0
<i>Prior Year Encumbrances Appropriated</i>	<u>2,869</u>	<u>2,869</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,732</u></u>	<u><u>\$4,805</u></u>	<u><u>\$3,073</u></u>

See accompanying notes to the general purpose financial statements

Totals
(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,296,395	\$2,319,831	\$23,436
2,546,528	2,531,930	(14,598)
48,752	48,853	101
287,912	284,222	(3,690)
32,888	46,281	13,393
28,871	17,883	(10,988)
15,100	15,100	0
<u>5,256,446</u>	<u>5,264,100</u>	<u>7,654</u>
1,688,594	2,197,595	(509,001)
618,314	584,885	33,429
121,263	119,869	1,394
96,812	86,226	10,586
91,711	89,722	1,989
14,387	14,051	336
431,025	401,998	29,027
189,958	178,570	11,388
541,232	482,381	58,851
554,891	514,158	40,733
12,550	12,532	18
91,870	82,873	8,997
49,165	27,168	21,997
250,558	265,558	(15,000)
165,903	86,548	79,355
<u>4,918,233</u>	<u>5,144,134</u>	<u>(225,901)</u>
338,213	119,966	(218,247)
179	650	471
338,392	120,616	(217,776)
547,128	547,128	0
<u>98,425</u>	<u>98,425</u>	<u>0</u>
<u>\$983,945</u>	<u>\$766,169</u>	<u>(\$217,776)</u>

Ledgemont Local School District
*Statement of Revenues, Expenses and
 Changes in Fund Equity
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2000*

	Enterprise
Operating Revenues	
Sales	\$104,115
Operating Expenses	
Salaries and Wages	47,116
Fringe Benefits	8,704
Purchased Services	2,655
Materials and Supplies	3,904
Cost of Sales	77,891
Depreciation	2,114
<i>Total Operating Expenses</i>	142,384
<i>Operating Loss</i>	(38,269)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	8,683
Operating Grants	33,959
Interest	422
Loss on Disposal of Fixed Assets	(2,836)
<i>Total Non-Operating Revenues (Expenses)</i>	40,228
<i>Net Income</i>	1,959
<i>Retained Earnings Beginning of Year</i>	11,631
<i>Retained Earnings End of Year</i>	13,590
Contributed Capital Beginning of Year	0
Contributions During the Year from: Governmental Funds	469
Contributed Capital at End of Year	469
<i>Total Fund Equity End of Year</i>	\$14,059

See accompanying notes to the general purpose financial statements

Ledgemont Local School District
*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, 2000*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$128,340	\$104,198	(\$24,142)
Interest	0	422	422
Operating Grants	0	33,959	33,959
<i>Total Revenues</i>	128,340	138,579	10,239
Expenses			
Salaries and Wages	50,830	50,295	535
Fringe Benefits	13,291	12,552	739
Purchased Services	3,915	2,650	1,265
Materials and Supplies	74,196	71,240	2,956
<i>Total Expenses</i>	142,232	136,737	5,495
<i>Excess of Revenues Over (Under) Expenses</i>	(13,892)	1,842	15,734
<i>Fund Equity Beginning of Year</i>	20,798	20,798	0
Prior Year Encumbrances Appropriated	2,000	2,000	0
<i>Fund Equity End of Year</i>	\$8,906	\$24,640	\$15,734

See accompanying notes to the general purpose financial statements

Ledgemont Local School District
Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000

	Enterprise
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$104,198
Cash Payments for Goods and Services	(73,593)
Cash Payments to Employees for Services and Benefits	(62,847)
<i>Net Cash Used for Operating Activities</i>	(32,242)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	33,959
Cash Flows from Investing Activities	
Interest on Investments	422
<i>Net Increase in Cash and Cash Equivalents</i>	2,139
Cash and Cash Equivalents Beginning of Year	22,798
<i>Cash and Cash Equivalents End of Year</i>	\$24,937
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$38,269)
Adjustments	
Depreciation	2,114
Donated Commodities Used During Year	8,683
<i>(Increase) Decrease in Assets</i>	
Accounts Receivable	83
Intergovernmental Receivable	1,426
Materials and Supplies Inventory	(171)
Inventory Held for Resale	(196)
<i>Increase (Decrease) in Liabilities</i>	
Accounts Payable	1,115
Accrued Wages and Benefits	(3,179)
Compensated Absences Payable	(3,605)
Intergovernmental Payable	(243)
<i>Total Adjustments</i>	6,027
<i>Net Cash Used for Operating Activities</i>	(\$32,242)

Noncash Capital Activities

Assets were purchased from the general fund for the food service enterprise fund in the amount of \$469.

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, 2000

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/or federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 41 classified employees, 47 certificated full-time and part-time teaching personnel, and 3 administrators who provide services to 756 students and other community members.

On March 27, 1997, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. New legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the new law, a seven-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a five year financial recovery plan. The Commission accordingly adopted the School District Plan on July 21, 1997. The Commission is comprised of the State Superintendent of Public Instruction, the School District Superintendent, State Director of Budget and Management, the Geauga County Auditor, a School District parent, an appointee by the governor and an appointee by the County Auditor. Once the plan has been adopted, the Board of Education discretion is limited in that all financial activity of the School District must be in accordance with the plan.

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 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 is associated with four jointly governed organizations. These organizations are the Lake Geauga Computer Association, the Ohio Schools' Council, the Auburn Career Center, East Shore Regional Transportation Systems, and East Shore Center. These organizations are presented in Note 17 to the general purpose financial statements.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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.

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 and trust 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.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 Types Proprietary funds are 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 proprietary fund types.

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.

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 funds.

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 funds.

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.

All proprietary funds are 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 operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 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 final amended certificate issued during fiscal year 2000.

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, 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.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 2000 investments were limited to STAROhio, certificates of deposit and repurchase agreements. Non-negotiable certificates of deposits and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

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 2000 amounted to \$54,059 which includes \$26,215 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. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. Materials and supplies inventory has not been reported in the governmental funds since the balance is insignificant.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 21 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

Ledgemont Local School District
Notes to the General Purpose Financial Statements
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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.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase Reimbursement
- Textbook Subsidy
- State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

- Ohio Reads
- Title VI B
- Title I
- Title III
- Drug Free Schools
- Management Information Systems
- Math and Science
- Excellence in Education
- Goals 2000

Capital Projects Funds

- School Net

Reimbursable Grants

General Fund

- Driver Education Reimbursement

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately forty-nine percent of the School District's governmental funds operating revenue during the 2000 fiscal year.

I. 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".

J. 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.

K. 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, loans and capital leases are reported as a liability of the general long-term obligations account group until due.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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.

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

M. 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, capital improvements, budget stabilization, 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 required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

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.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 3 - Accountability and Compliance

A. Fund Deficits

Fund balances at June 30, 2000, included the following individual fund deficits:

Special Revenue Funds:	
Lottery	\$607
Management Information Systems	4,941
Capital Project Fund:	
Energy Conservation	58,658

The deficits in the lottery and management information systems special revenue funds resulted from accrual accounting. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

The deficit in the energy conservation capital projects fund resulted from the issuance of notes during fiscal year 1997. Once the notes are retired the deficit will be eliminated.

B. Compliance

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

	Estimated Revenues Plus Carryover Balances	Appropriations	Amount
<i>Special Revenue Funds:</i>			
Public School Support	\$33,602	\$38,762	\$5,160
Career Development	910	1,051	141
Athletic	27,766	28,159	393
Lottery	100,000	100,699	699
Management Information System	4,414	10,233	5,819
Title III	3,992	5,192	1,200
Title VI	3,270	8,193	4,923
Drug Free Schools	2,815	4,715	1,900
<i>Capital Project Fund:</i>			
School Net Plus	1,860	4,726	2,866

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Contrary to Section 5705.41 (B), Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations:

<u>Fund/Function/Object</u>	<u>Appropriation</u>	<u>Expenditures Encumbrances</u>	<u>Excess</u>
General Fund			
Regular Instruction			
Salaries	\$796,961	\$1,320,960	\$523,999
Pupil Transportation			
Purchased Services	85,158	86,230	1,072
Special Revenue Funds			
Teacher Development			
Instructional Staff			
Purchased Services	204	473	269
Management Information			
Central			
Salaries	10,095	10,387	292
Fringe Benefits	138	145	7
Ohio Reads			
Regular Instruction			
Materials and Supplies	29,000	38,979	9,979
Chapter I			
Special Instruction			
Materials and Supplies	859	1,053	194
Goals 2000			
Regular Instruction			
Purchased Services	2,250	2,435	185
Drug Free Grant			
Regular Instruction			
Purchased Services	1,000	1,181	181
Materials and Supplies	1,527	2,797	1,270
Capital Outlay	2,188	2,200	12
Debt Service Fund			
Bond Retirement			
Debt Service - Principal	95,000	110,000	15,000

The School District had negative cash balances in the following special revenue funds indicating that revenues from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10:

Management Information System	(\$4,868)
Chapter II	(\$792)

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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. Proceeds from principal payment on revenue and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. 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	\$1,959
Revenue Accruals	(8,600)
Expense Accruals	3,830
Loss on Sale of Fixed Asset	2,836
Depreciation Expense	2,114
Encumbrances	(297)
Budget Basis	\$1,842

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$402,532	(\$301)	(\$17,038)	\$12,402
Revenue Accruals	110,705	(10,864)	18,700	(1)
Unrecorded Cash	(3,669)	0	0	0
Expenditure Accruals	(53,803)	(1,705)	0	(17,800)
Principal Retirement	(155,558)	0	0	0
Interest and Fiscal Charges	(3,987)	0	0	0
Reclassification of Debt				
Taxes	0	0	19,500	(19,500)
Principal Retirement	0	0	(15,000)	15,000
Interest and Fiscal	0	0	(4,500)	4,500
Encumbrances	(93,797)	(24,850)	(40,350)	0
Budget Basis	<u>\$202,423</u>	<u>(\$37,720)</u>	<u>(\$38,688)</u>	<u>(\$5,399)</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 two 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:

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to 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;
6. The State Treasurer's investment pool (STAROhio);
7. 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
8. 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.

Unreported Cash At fiscal year end, the School District had \$3,669 in unreported cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$782,284 and the bank balance was \$844,149. \$200,000 of the bank balance was covered by federal depository insurance.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

\$644,149 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$90,981	\$90,981	\$90,981
STAROhio		115,366	115,366
Totals		\$206,347	\$206,347

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/Deposits	Investments
<i>GASB Statement No. 9</i>	\$992,300	\$0
Unrecorded Cash	(3,669)	0
Investments:		
Repurchase Agreements	(90,981)	90,981
STAROhio	(115,366)	115,366
<i>GASB Statement No. 3</i>	\$782,284	\$206,347

Note 6 - Receivables

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and tuition and fees), interfund, interest and intergovernmental grants. All receivables are considered

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

The principal intergovernmental receivables were:

Intergovernmental Receivable	Amount
Special Revenue Funds:	
Chapter I	\$10,088
Chapter II	2,261
Total	\$12,349

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 located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value listed as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 2000 on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

	1999 Second Half Collections		2000 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$48,121,740	86.36%	\$60,008,330	88.35%
Public Utility	4,321,230	7.75	4,166,130	6.13
Tangible Personal Property	3,279,550	5.89	3,749,490	5.52
Total Assessed Value	\$55,722,520	100.00%	\$67,923,950	100.00%
Tax rate per \$1,000 of assessed valuation	\$65.05		\$64.61	

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including Ledgemont Local School District. The County Auditor periodically remits to the School District its portion of taxes. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$153,700. \$149,900 was available to the general fund and \$3,800 was available to the bond retirement fund.

Note 8 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Equipment	\$66,744
Accumulated Depreciation	(62,937)
Net Fixed Assets	\$3,807

A summary of the changes in general fixed assets during fiscal year 2000, follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land	\$63,500	\$0	\$0	\$63,500
Buildings and Improvements	506,331	0	0	506,331
Furniture and Equipment	1,014,550	0	142,286	872,264
Vehicles	402,333	0	0	402,333
Totals	\$1,986,714	\$0	\$142,286	\$1,844,428

There was no significant construction in progress at June 30, 2000.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2000, the School District contracted with Crum and Forster Insurance Company, Travelers Insurance, Nationwide Insurance, and Wausau Insurance Company. Coverages are as follows:

Company	Type of Coverage	Coverage
Crum and Forester Insurance	Building and Contents - replacement cost	\$11,506,374
	Extra Expense Coverage	1,000,000
	Valuable Papers	100,000
	Inland Marine Coverage	1,025,079
	Crime Insurance	255,000
Travelers Insurance	Boiler and Machinery	30,000,000
	Consequential Loss	100,000
	Expediting Expenses	100,000
	Hazardous Substance	100,000
	Ammonia Contamination	100,000
	Water Damage	100,000
	Media	100,000
	Off Premises Service Interruption	500,000
Ordinance or Law	1,000,000	
Nationwide Insurance	Automobile Liability	
	Uninsured Motorist	
	Umbrella (per occurrence)	10,000,000
Wausau Insurance	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.

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was 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, 2000, 1999, and 1998 were \$58,725, \$55,535, and \$60,801 respectively; 50.35 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$29,155 representing the unpaid contribution for fiscal year 2000, 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 School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$135,583, \$91,404, and \$179,562 respectively; 83.27 percent has been contributed for fiscal year 2000, and 100 percent for fiscal years 1999 and 1998. \$22,683 represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

Note 11 - Postemployment Benefits

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

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 cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$180,777 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. 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 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, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase of 2.20 percent for fiscal year 2000. 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 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$110,085.

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 at June 30, 1999, (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants receiving health care benefits.

Note 12 - Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave components 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 accumulate 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 \$223.68 and \$569.01 for family. The HMO plan (also

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

offered through Medical Mutual Insurance Company of Ohio) includes prescription coverage and has no deductible. The premium for HMO coverage is \$248.02 for single and \$629.89 for family.

Life insurance is offered to employees through Umum Life Insurance Company of Columbus, Ohio. The Superintendent receives \$138,000 coverage for \$22.50 per month, administrators, supervisors, certified, custodial and clerical employees receive \$40,000 for \$6.52 per month.

Note 13 - Contingencies

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, 2000.

Note 14 - Note Debt

The School District's note activity, including amounts outstanding and interest rates follow:

	Principal Outstanding 06/30/99	Additions	Deductions	Principal Outstanding 06/30/00
General Fund:				
State Loan 1998,	\$155,558	\$0	\$155,558	\$0
Energy Conservation				
Energy Conservation 1993, 6.0%	75,000	0	15,000	60,000
Total	\$230,558	\$0	\$170,558	\$60,000

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. Principal and interest requirements to retire notes outstanding at June 30, 2000 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2001	\$20,000	\$3,600	\$23,600
2002	20,000	2,400	22,400
2003	20,000	1,200	21,200
Total	\$60,000	\$7,200	\$67,200

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 15 - School Foundation Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's Aschool foundation program@, which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$1,977,983 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the 'thorough and efficient@ clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

Note 16 - Capital Leases - Lessee Disclosure

In prior years, the School District entered into two capitalized leases for the acquisition of copiers. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$38,093 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$7,539 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Fiscal Year Ending June 30, 2001	Amount
Year Ending Balance	\$9,225
Less: Amount Representing Interest	330
Present Value of Net Minimum Lease Payments	\$8,895

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. Financial information can be obtained from: Lake Geauga Computer Association, 8140 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 2000, the School District paid \$1,200 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

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.

Auburn Career Center The Auburn Career Center is a joint vocational school district which is a jointly governed organization among eleven school districts. Each participating school district appoints one member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Career Center is not dependent on the School District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

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. 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. Financial information can be obtained by writing the fiscal agent, Mentor Exempted Village School District, 6451 Center Street, Mentor, OH 44060.

Note 18 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of lunchroom 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, 2000.

	Lunchroom	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$88,993	\$15,122	\$104,115
Depreciation	2,114	0	2,114
Operating Income (Loss)	(39,453)	1,184	(38,269)
Donated Commodities	8,683	0	8,683
Operating Grants	33,959	0	33,959
Net Income	775	1,184	1,959
Net Working Capital	4,201	6,051	10,252
Total Assets	25,093	6,051	31,144
Contributed Capital	469	0	469
Total Equity	8,008	6,051	14,059
Encumbrances Outstanding	297	0	297

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 19 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
General Obligation Bonds:				
Classroom Facilities Bonds 1982 14.0%	\$385,000	\$0	\$55,000	\$330,000
High School Addition Bonds 1977 5.27%	25,000	0	25,000	0
Total General Obligation Bonds	410,000	0	80,000	330,000
Other Long-Term Obligations:				
Installment Loan	2,533	0	1,447	1,086
Capital Leases	16,434	0	7,539	8,895
Compensated Absences	349,901	309,991	349,901	309,991
Pension Obligations	52,249	54,427	52,249	54,427
Total General Long-Term Obligations	\$831,117	\$364,418	\$491,136	\$704,399

The general obligation bonds will be paid from the debt service fund. The installment loan and capital lease obligation will be paid from the general 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 \$6,475,137 with an unvoted debt margin of \$67,924 at June 30, 2000. Principal and interest requirements to retire general obligation bonds and the installment loan outstanding at June 30, 2000 are as follows:

Fiscal year Ending June 30,	General Obligation Bonds	Installment Loan	Total
2001	\$97,350	\$1,086	\$98,436
2002	89,650	0	89,650
2003	81,950	0	81,950
2004	74,250	0	74,250
2005-2006	125,400	0	125,400
	\$468,600	\$1,086	\$469,686

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 20 - Interfund Transactions

Interfund balances at June 30, 2000, consist of the following interfund receivables and payables:

Fund	Receivable	Payable
General Fund	\$5,660	\$0
Special Revenue Funds:		
Management Information	0	4,868
Chapter II	0	792
Total	\$5,660	\$5,660

Due from other funds and due to other funds at June 30, 2000 consist of the following individual balances:

Fund	Due From	Due To
General Fund	\$170	\$0
Special Revenue Fund:		
Public School Support	0	170
Total	\$170	\$170

Note 21 - Set-Aside Calculations and Fund Reserves

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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 June 30, 1999	(\$94,517)	\$0	\$23,432
Current year set-aside requirement	94,807	94,807	0
Current year offsets	0	0	0
Qualifying disbursements	(162,519)	(57,800)	0
Balance Carried Forward to Future			
Fiscal Years	(\$162,229)	\$37,007	\$23,432
Set-aside reserve balance as of June 30, 2000	\$0	\$37,007	\$23,432

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 \$60,439.

Note 22 - Subsequent Event

On November 8, 2000 the School District placed a seven year .75% income tax on the ballot for current expenses. The income tax levy failed.

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Ledgemont Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$157,927	\$97,324	\$356,519	\$10,203
Receivables:				
Taxes	2,229,809	0	198,866	0
Accounts	1,652	1,487	0	0
Accrued Interest	1,025	0	0	0
Intergovernmental Receivable	0	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	26,249	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,502	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	<u>\$2,441,164</u>	<u>\$98,811</u>	<u>\$555,385</u>	<u>\$10,203</u>
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$21,213	\$5,314	\$0	\$2,725
Accrued Wages and Benefits	434,327	10,776	0	0
Compensated Absences Payable	9,897	0	0	0
Intergovernmental Payable	79,101	1,655	0	0
Deferred Revenue	1,968,309	0	176,366	0
Due to Students	0	0	0	0
Accrued Interest Payable	0	0	0	375
Notes Payable	155,558	0	0	75,000
Capital Leases Payable	0	0	0	0
Installment Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>2,668,405</u>	<u>17,745</u>	<u>176,366</u>	<u>78,100</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	67,038	10,923	0	144
Reserved for Inventory	26,249	0	0	0
Reserved for Budget Stabilization	23,432	0	0	0
Reserved for Bus Purchases	1,070	0	0	0
Reserved for Property Taxes	261,500	0	22,500	0
Unreserved, Undesignated (Deficit)	(606,530)	70,143	356,519	(68,041)
Total Fund Equity (Deficit) and Other Credits	<u>(227,241)</u>	<u>81,066</u>	<u>379,019</u>	<u>(67,897)</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,441,164</u>	<u>\$98,811</u>	<u>\$555,385</u>	<u>\$10,203</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			
\$22,798	\$30,055	\$0	\$0	\$674,826
0	0	0	0	2,428,675
83	0	0	0	3,222
0	0	0	0	1,025
1,426	0	0	0	1,426
2,864	0	0	0	2,864
339	0	0	0	26,588
0	0	0	0	24,502
8,288	0	1,986,714	0	1,995,002
0	0	0	379,019	379,019
0	0	0	452,098	452,098
<u>\$35,798</u>	<u>\$30,055</u>	<u>\$1,986,714</u>	<u>\$831,117</u>	<u>\$5,989,247</u>
\$24	\$0	\$0	\$0	\$29,276
9,958	0	0	0	455,061
4,483	0	0	349,901	364,281
7,371	0	0	52,249	140,376
2,331	0	0	0	2,147,006
0	30,055	0	0	30,055
0	0	0	0	375
0	0	0	0	230,558
0	0	0	16,434	16,434
0	0	0	2,533	2,533
0	0	0	410,000	410,000
<u>24,167</u>	<u>30,055</u>	<u>0</u>	<u>831,117</u>	<u>3,825,955</u>
0	0	1,986,714	0	1,986,714
11,631	0	0	0	11,631
0	0	0	0	78,105
0	0	0	0	26,249
0	0	0	0	23,432
0	0	0	0	1,070
0	0	0	0	284,000
0	0	0	0	(247,909)
<u>11,631</u>	<u>0</u>	<u>1,986,714</u>	<u>0</u>	<u>2,163,292</u>
<u>\$35,798</u>	<u>\$30,055</u>	<u>\$1,986,714</u>	<u>\$831,117</u>	<u>\$5,989,247</u>

Ledgemont Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances*
All Governmental Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999

	General	Special Revenue
Revenues		
Taxes	\$2,075,674	\$12,381
Intergovernmental	2,082,654	253,048
Interest	48,286	16
Tuition and Fees	228,691	1,487
Extracurricular Activities	0	45,870
Contributions and Donations	4,376	5,420
Rentals	2,700	0
<i>Total Revenues</i>	4,442,381	318,222
Expenditures		
Current:		
Instruction:		
Regular	1,914,682	152,614
Special	494,588	61,603
Vocational	113,615	0
Support Services:		
Pupils	81,694	100
Instructional Services	64,789	3,650
Board of Education	7,503	0
Administration	351,663	28,921
Fiscal	174,542	161
Operation and Maintenance of Plant	428,698	413
Pupil Transportation	459,583	0
Central	99	17,700
Operation of Non-Instructional Services	0	4,872
Extracurricular Activities	62,887	25,518
Capital Outlay	19,269	0
Debt Service:		
Principal Retirement	9,365	0
Interest and Fiscal Charges	19,659	0
<i>Total Expenditures</i>	4,202,636	295,552
<i>Excess of Revenues Over (Under) Expenditures</i>	239,745	22,670
Other Financing Sources (Uses)		
Proceeds from Sale of Fixed Assets	179	0
Operating Transfers In	0	5,000
Operating Transfers Out	(5,000)	0
<i>Total Other Financing Sources (Uses)</i>	(4,821)	5,000
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	234,924	27,670
<i>Fund Balances (Deficit) Beginning of Year (Restated Note 3)</i>	(469,669)	53,396
Increase in Reserve for Inventory	7,504	0
<i>Fund Balances (Deficit) End of Year</i>	(\$227,241)	\$81,066

See accompanying notes to the general purpose financial statements

Debt Service	Capital Projects	Totals (Memorandum Only)
\$191,795	\$0	\$2,279,850
1,272	39,183	2,376,157
0	96	48,398
0	0	230,178
0	0	45,870
0	0	9,796
0	0	2,700
<u>193,067</u>	<u>39,279</u>	<u>4,992,949</u>
0	0	2,067,296
0	0	556,191
0	0	113,615
0	0	81,794
0	0	68,439
0	0	7,503
0	0	380,584
0	0	174,703
0	0	429,111
0	0	459,583
0	0	17,799
0	0	4,872
0	0	88,405
0	17,948	37,217
80,000	0	89,365
62,265	5,325	87,249
<u>142,265</u>	<u>23,273</u>	<u>4,663,726</u>
<u>50,802</u>	<u>16,006</u>	<u>329,223</u>
0	0	179
0	0	5,000
0	0	(5,000)
<u>0</u>	<u>0</u>	<u>179</u>
50,802	16,006	329,402
328,217	(83,903)	(171,959)
<u>0</u>	<u>0</u>	<u>7,504</u>
<u>\$379,019</u>	<u>(\$67,897)</u>	<u>\$164,947</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 and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$2,006,747	\$1,988,035	(\$18,712)
Intergovernmental	2,086,401	2,086,401	0
Interest	46,954	46,954	0
Tuition and Fees	228,130	228,130	0
Extracurricular Activities	0	0	0
Contributions and Donations	4,376	4,376	0
Rentals	15,100	15,100	0
<i>Total Revenues</i>	<u>4,387,708</u>	<u>4,368,996</u>	<u>(18,712)</u>
Expenditures			
Current:			
Instruction:			
Regular	1,930,244	1,920,691	9,553
Special	543,431	510,831	32,600
Vocational	114,100	112,084	2,016
Support Services:			
Pupils	84,013	82,734	1,279
Instructional Staff	66,170	64,537	1,633
Board of Education	8,581	8,270	311
Administration	341,053	334,808	6,245
Fiscal	173,603	168,805	4,798
Operation and Maintenance of Plant	470,215	453,086	17,129
Pupil Transportation	477,874	474,216	3,658
Central	151	99	52
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	68,028	63,039	4,989
Capital Outlay	39,569	38,582	987
Debt Service:			
Principal Retirement	410,459	410,459	0
Interest and Fiscal Charges	23,623	22,262	1,361
<i>Total Expenditures</i>	<u>4,751,114</u>	<u>4,664,503</u>	<u>86,611</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(363,406)</u>	<u>(295,507)</u>	<u>67,899</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	179	179	0
Advances In	4,500	4,500	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(5,000)	(5,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(321)</u>	<u>(321)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(363,727)</u>	<u>(295,828)</u>	<u>67,899</u>
Fund Balances Beginning of Year	312,252	312,252	0
Prior Year Encumbrances Appropriated	85,760	85,760	0
<i>Fund Balances End of Year</i>	<u>\$34,285</u>	<u>\$102,184</u>	<u>\$67,899</u>

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$12,979	\$12,380	(\$599)	\$286,577	\$288,132	\$1,555
253,049	253,049	0	21,672	21,672	0
0	16	16	0	0	0
0	0	0	0	0	0
47,404	48,960	1,556	0	0	0
5,420	5,420	0	0	0	0
0	0	0	0	0	0
<u>318,852</u>	<u>319,825</u>	<u>973</u>	<u>308,249</u>	<u>309,804</u>	<u>1,555</u>
173,924	161,950	11,974	0	0	0
78,953	61,165	17,788	0	0	0
0	0	0	0	0	0
100	100	0	0	0	0
9,696	3,653	6,043	0	0	0
0	0	0	0	0	0
40,247	29,056	11,191	0	0	0
161	161	0	0	0	0
14,203	8,774	5,429	0	0	0
0	0	0	0	0	0
18,049	16,982	1,067	0	0	0
4,978	4,978	0	0	0	0
35,085	28,992	6,093	0	0	0
0	0	0	0	0	0
0	0	0	203,000	188,000	15,000
0	0	0	81,175	68,916	12,259
<u>375,396</u>	<u>315,811</u>	<u>59,585</u>	<u>284,175</u>	<u>256,916</u>	<u>27,259</u>
<u>(56,544)</u>	<u>4,014</u>	<u>60,558</u>	<u>24,074</u>	<u>52,888</u>	<u>28,814</u>
0	0	0	0	0	0
0	0	0	0	0	0
(4,500)	(4,500)	0	0	0	0
5,000	5,000	0	0	0	0
0	0	0	0	0	0
<u>500</u>	<u>500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(56,044)	4,514	60,558	24,074	52,888	28,814
56,574	56,574	0	303,631	303,631	0
19,998	19,998	0	0	0	0
<u>\$20,528</u>	<u>\$81,086</u>	<u>\$60,558</u>	<u>\$327,705</u>	<u>\$356,519</u>	<u>\$28,814</u>

(continued)

Ledgemont Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types and Similar Trust Funds (continued)
For the Fiscal Year Ended June 30, 1999*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$0	\$0	\$0
Intergovernmental	18,783	18,783	0
Interest	85	96	11
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	0	0	0
<i>Total Revenues</i>	<u>18,868</u>	<u>18,879</u>	<u>11</u>
Expenditures			
Current:			
Instruction:			
Regular	18,780	17,230	1,550
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Services	1,169	862	307
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>19,949</u>	<u>18,092</u>	<u>1,857</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,081)</u>	<u>787</u>	<u>1,868</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	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 Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,081)</u>	<u>787</u>	<u>1,868</u>
<i>Fund Balances Beginning of Year</i>	6,547	6,547	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$5,466</u>	<u>\$7,334</u>	<u>\$1,868</u>

See accompanying notes to the general purpose financial statements

Totals
(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,306,303	\$2,288,547	(\$17,756)
2,379,905	2,379,905	0
47,039	47,066	27
228,130	228,130	0
47,404	48,960	1,556
9,796	9,796	0
15,100	15,100	0
<u>5,033,677</u>	<u>5,017,504</u>	<u>(16,173)</u>
2,122,948	2,099,871	23,077
622,384	571,996	50,388
114,100	112,084	2,016
84,113	82,834	1,279
77,035	69,052	7,983
8,581	8,270	311
381,300	363,864	17,436
173,764	168,966	4,798
484,418	461,860	22,558
477,874	474,216	3,658
18,200	17,081	1,119
4,978	4,978	0
103,113	92,031	11,082
39,569	38,582	987
613,459	598,459	15,000
104,798	91,178	13,620
<u>5,430,634</u>	<u>5,255,322</u>	<u>175,312</u>
<u>(396,957)</u>	<u>(237,818)</u>	<u>159,139</u>
179	179	0
4,500	4,500	0
(4,500)	(4,500)	0
5,000	5,000	0
(5,000)	(5,000)	0
<u>179</u>	<u>179</u>	<u>0</u>
(396,778)	(237,639)	159,139
679,004	679,004	0
105,758	105,758	0
<u>\$387,984</u>	<u>\$547,123</u>	<u>\$159,139</u>

Ledgemont Local School District
*Statement of Revenues, Expenses and
 Changes in Retained Earnings
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1999*

	<u>Enterprise</u>
Operating Revenues	
Sales	\$95,199
Operating Expenses	
Salaries and Wages	48,434
Fringe Benefits	18,188
Purchased Services	2,135
Cost of Sales	69,770
Depreciation	2,901
	<u>141,428</u>
<i>Total Operating Expenses</i>	
<i>Operating Loss</i>	<u>(46,229)</u>
Non-Operating Revenues	
Federal Donated Commodities	8,609
Operating Grants	31,699
Interest	231
	<u>40,539</u>
<i>Total Non-Operating Revenues</i>	
<i>Net Loss</i>	<u>(5,690)</u>
<i>Retained Earnings Beginning of Year</i>	<u>17,321</u>
<i>Retained Earnings End of Year</i>	<u>\$11,631</u>

See accompanying notes to the general purpose financial statements

Ledgemont Local School District
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, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$86,724	\$95,116	\$8,392
Interest	231	231	0
Operating Grants	31,699	31,699	0
<i>Total Revenues</i>	<u>118,654</u>	<u>127,046</u>	<u>8,392</u>
Expenses			
Salaries and Wages	48,893	44,303	4,590
Fringe Benefits	13,942	13,159	783
Purchased Services	4,494	2,888	1,606
Materials and Supplies	68,970	68,970	0
Capital Outlay	1,412	1,412	0
<i>Total Expenses</i>	<u>137,711</u>	<u>130,732</u>	<u>6,979</u>
<i>Excess of Revenues Under Expenses</i>	(19,057)	(3,686)	15,371
<i>Fund Equity Beginning of Year</i>	18,825	18,825	0
Prior Year Encumbrances Appropriated	5,661	5,661	0
<i>Fund Equity End of Year</i>	<u>\$5,429</u>	<u>\$20,800</u>	<u>\$15,371</u>

See accompanying notes to the general purpose financial statements

Ledgemont Local School District
Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$95,116
Cash Payments for Goods and Services	(69,859)
Cash Payments to Employees for Services and Benefits	(57,463)
	(57,463)
<i>Net Cash Used for Operating Activities</i>	(32,206)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	31,699
Cash Flows from Capital and Related Financing Activities	
Purchase of Fixed Assets	(1,412)
Cash Flows from Investing Activities	
Interest on Investments	231
	231
<i>Net Decrease in Cash and Cash Equivalents</i>	(1,688)
Cash and Cash Equivalents Beginning of Year	24,486
<i>Cash and Cash Equivalents End of Year</i>	\$22,798
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$46,229)
Adjustments	
Depreciation	2,901
Donated Commodities Used During Year	8,609
<i>(Increase) Decrease in Assets</i>	
Accounts Receivable	(83)
Intergovernmental Receivable	(1,426)
Materials and Supplies Inventory	21
Inventory Held for Resale	(250)
<i>Increase (Decrease) in Liabilities</i>	
Accounts Payable	(4,907)
Accrued Wages and Benefits	4,130
Compensated Absences Payable	1,087
Intergovernmental Payable	3,941
	3,941
<i>Total Adjustments</i>	14,023
<i>Net Cash Used for Operating Activities</i>	(\$32,206)

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, 1999

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/or federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 41 classified employees, 47 certificated full-time and part-time teaching personnel, and 3 administrators who provide services to 746 students and other community members.

On March 27, 1997, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. New legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the new law, a seven-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a five year financial recovery plan. The Commission accordingly adopted the School District Plan on July 21, 1997. The Commission is comprised of the State Superintendent of Public Instruction, the School District Superintendent, State Director of Budget and Management, the Geauga County Auditor, a School District parent, an appointee by the governor and an appointee by the County Auditor. Once the plan has been adopted, the Board of Education discretion is limited in that all financial activity of the School District must be in accordance with the plan.

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 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 is associated with five jointly governed organizations. These organizations are the Lake Geauga Computer Association, the Ohio Schools' Council, the Auburn Career Center, the East Shore Regional Transportation Systems, and East Shore Center. These organizations are presented in Note 18 to the general purpose financial statements.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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.

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 and trust 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).

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Proprietary Fund Types Proprietary funds are 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 proprietary fund types.

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.

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 funds.

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 funds.

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.

All proprietary funds are 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 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.

Ledgemont Local School District
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The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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.

Ledgemont Local School District
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For the Fiscal Year Ended June 30, 1999

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 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 final amended certificate issued during fiscal year 1998.

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, 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. The School District utilizes a financial institution to service bonded debt as principal and

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits.

During fiscal year 1999 investments were limited to STAROhio, certificates of deposit and repurchase agreements. Non-negotiable certificates of deposits and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

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 1999 amounted to \$48,286, which includes \$35,737 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. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. Materials and supplies inventory has not been reported in the governmental funds since the balance is insignificant.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, and to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves. Fund balance reserves have also be established.

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.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase Reimbursement
- State Property Tax Relief
- Textbook Subsidy

Non-Reimbursable Grants

Special Revenue Funds

- Title VIB
- Title I
- Title VI
- Drug Free Schools
- Management Information Systems
- Math and Science
- Vocational Education
- Educational Excellence
- Goals 2000

Capital Projects Funds

- School Net

Reimbursable Grants

General Fund

- Driver Education Reimbursement

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately forty-eight percent of the School District's governmental funds operating revenue during the 1999 fiscal year.

I. 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".

J. 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.

K. 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, loans and capital leases 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.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
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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.

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

M. 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, textbook purchases, school 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 required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

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.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 3 - Restatement of Prior Year's Fund Equity

Interfund receivables and payables were overstated in the prior year. Also, the expendable trust fund has been reclassified to a special revenue fund. The result was a decrease to the expendable trust funds' balance of \$335, thus eliminating the fund type, and an increase to the special revenue funds' beginning balance of \$335. These adjustments resulted in the restatement of excess and fund equity. The effect of these changes on the excess as it was previously reported as of June 30, 1998, are as follows:

	General	Special Revenue	Expendable Trust
Excess as Previously Reported	\$385,777	(\$25,309)	(\$85)
Reclassification of Expendable Trust Fund	0	(85)	85
Overstatement of Interfund	(460)	460	0
Restated Excess July 1, 1998	<u>\$385,317</u>	<u>(\$24,934)</u>	<u>\$0</u>

The effect of these changes on fund balance as it was previously reported as of June 30, 1998 are as follows:

	General	Special Revenue	Expendable Trust
Fund Balance as Previously Reported June 30,	(\$469,209)	\$52,601	\$335
Reclassification of Expendable Trust Fund	0	335	(335)
Overstatement of Interfund	(460)	460	0
Restated Fund Balance June 30, 1998	<u>(\$469,669)</u>	<u>\$53,396</u>	<u>\$0</u>

Note 4 - Accountability and Compliance

A. Fund Deficits

Fund balances at June 30, 1999, included the following individual fund deficits:

General	\$227,241
Special Revenue Funds:	
Lottery	224
Management Information Systems	159
Capital Project Fund:	
Energy Conservation	73,733

Ledgemont Local School District
Notes to the General Purpose Financial Statements
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The general fund concluded fiscal year 1999 with a fund balance of (\$227,241). The general fund deficit balance resulted from the conversion to generally accepted accounting principles and from the requirement to report the State loan as a liability in the fund that received the note proceeds. The School District was placed in a state of fiscal emergency by the Auditor of State in 1997. A State oversight commission is in place to oversee all fiscal decisions and activities of the School District.

The deficits in the lottery and management information systems special revenue funds resulted from accrual accounting. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

The deficit in the energy conservation capital projects fund resulted from the issuance of notes during fiscal year 1997. Once the notes are retired the deficit will be eliminated.

B. Compliance

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

	Revenues plus Carryover Balances	Appropriations	Amount
<i>Special Revenue Funds:</i>			
Athletic	\$32,759	\$39,030	\$6,271
Teacher Development	7,883	8,633	750
Goals 2000	12,851	12,966	115

Note 5 - 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 Similar Trust Fund 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).

Ledgemont Local School District
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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. Proceeds from principal payment on revenue and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. 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.

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$234,924	\$27,670	\$50,802	\$16,006
Revenue Accruals	19,939	1,603	2,086	0
Advances In	4,500	0	0	0
Unrecorded Cash	927	0	0	0
Expenditure Accruals	(815,270)	(4,021)	139,860	8,050
Reclassification of Debt				
Taxes	(94,251)	0	94,251	0
Intergovernmental	0	0	20,400	(20,400)
Principal Retirement	410,460	0	(188,000)	0
Interest and Fiscal Charges	22,261	0	(66,511)	0
Advances Out	0	(4,500)	0	0
Encumbrances	(79,318)	(16,238)	0	(2,869)
Budget Basis	<u>(\$295,828)</u>	<u>\$4,514</u>	<u>\$52,888</u>	<u>\$787</u>

Net Loss/Excess of Revenues Under Expenses,
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$5,690)
Revenue Accruals	(8,692)
Expense Accruals	9,793
Depreciation Expense	2,901
Encumbrances	(1,998)
Budget Basis	<u>(\$3,686)</u>

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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.

Ledgemont Local School District
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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;
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;
6. The State Treasurer's investment pool (STAROhio);
7. 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.

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

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Unreported Cash At fiscal year end, the School District had \$927 in unreported cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$493,828 and the bank balance was \$542,719. \$192,719 of the bank balance was covered by federal depository insurance. \$350,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category <u>3</u>	Carrying Value	Fair Value
Repurchase Agreements	\$95,463	\$95,463	\$95,463
STAROhio		<u>109,110</u>	<u>109,110</u>
Totals		<u><u>\$204,573</u></u>	<u><u>\$204,573</u></u>

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:

Ledgemont Local School District
Notes to the General Purpose Financial Statements
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	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$699,328	\$0
Unrecorded Cash	(927)	0
Investments:		
Repurchase Agreements	(95,463)	95,463
STAROhio	(109,110)	109,110
<i>GASB Statement No. 3</i>	\$493,828	\$204,573

Note 7 - Receivables

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and tuition and fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The only intergovernmental receivable for fiscal year 1999 was \$1,426 for the national school lunch program in the lunchroom enterprise fund.

Note 8 - 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 located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value listed as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1999 on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Ledgemont Local School District
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	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,632,430	85.63%	\$48,121,740	86.36%
Public Utility	4,352,110	7.99	4,321,230	7.75
Tangible Personal Property	3,474,930	6.38	3,279,550	5.89
Total Assessed Value	<u>\$54,459,470</u>	<u>100.00%</u>	<u>\$55,722,520</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$65.05		\$65.05	

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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes mainly from Geauga County and to a lesser extent Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including Ledgemont Local School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$284,000. \$261,500 was available to the general fund and \$22,500 was available to the bond retirement fund.

Note 9 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Equipment	\$85,454
Accumulated Depreciation	(77,166)
Net Fixed Assets	<u>\$8,288</u>

A summary of the changes in general fixed assets during fiscal year 1999, follows:

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land	\$63,500	\$0	\$0	\$63,500
Buildings and Improvements	506,331	0	0	506,331
Furniture and Equipment	1,021,116	0	6,566	1,014,550
Vehicles	402,333	0	0	402,333
Totals	\$1,993,280	\$0	\$6,566	\$1,986,714

There was no significant construction in progress at June 30, 1999.

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 1999, the School District contracted with Crum and Forster for property, boiler and inland marine insurance. This all risk policy has a \$1,000 deductible.

General liability is protected by the Wausau Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Vehicles, including school buses, are covered by the Nationwide Insurance Company and hold a \$50 deductible for comprehensive and a \$250 deductible for collision. There is a \$10,000,000 combined single limit of liability. The School District also has a \$5,000,000 umbrella policy with Wausau Insurance that is over both the general liability and vehicle policies. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

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

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The Ledgemont Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

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 1999, 7.7 percent of annual

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was 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, 1999, 1998, and 1997 were \$55,535, \$60,801 and \$63,344 respectively; 43.35 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998,1997. \$31,462 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Ledgemont Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1999, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$91,404, \$179,562, \$183,992 respectively; 80.86 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$17,494 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

Note 12 - 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS 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 the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$121,873.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999 the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. 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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during 1999 fiscal year equaled \$62,331.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$180.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave components 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 one can accumulate 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 \$223.68 and \$569.01 for family. The HMO plan (also

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

offered through Medical Mutual Insurance Company of Ohio) includes prescription coverage and has no deductible. The premium for HMO coverage is \$238.17 for single and \$617.76 for family.

Life insurance is offered to employees through Umum Life Insurance Company of Columbus, Ohio. The Superintendent receives \$138,000 coverage for \$22.50 per month, administrators, supervisors, certified, custodial and clerical employees receive \$40,000 for \$6.52 per month.

Note 14 - Note Debt

The School District's note activity, including amounts outstanding and interest rates follow:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Fund:				
State Loan 1997, 5.1%	\$266,017	\$0	\$266,017	\$0
State Loan 1998, 4.5%	300,000	0	144,442	155,558
Energy Conservation Fund:				
Spending Reserve 1998, 4.0%	93,000	0	93,000	0
Energy Conservation Note 1993, 6.0%	90,000	0	15,000	75,000
Total	\$749,017	\$0	\$518,459	\$230,558

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. Principal and interest requirements to retire notes outstanding at June 30, 1999 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$170,558	\$8,293	\$178,851
2001	20,000	3,600	23,600
2002	20,000	2,400	22,400
2003	20,000	1,200	21,200
Total	\$230,558	\$15,493	\$246,051

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 15 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds:				
Classroom Facilities Bonds 1982 14.0%	\$440,000	\$0	\$55,000	\$385,000
High School Addition Bonds 1977	50,000	0	25,000	25,000
Total General Obligation Bonds	490,000	0	80,000	410,000
Other Long-Term Obligations:				
Installment Loan	3,980	0	1,447	2,533
Capital Leases	24,352	0	7,918	16,434
Compensated Absences	255,860	94,041	0	349,901
Pension Obligations	46,823	52,249	46,823	52,249
<i>Total General Long-Term Obligations</i>	<u>\$821,015</u>	<u>\$146,290</u>	<u>\$136,188</u>	<u>\$831,117</u>

The general obligation bonds will be paid from the debt service fund. The installment loan and capital lease obligation will be paid from the general 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 \$5,319,046 with an unvoted debt margin of \$55,723 at June 30, 1999. Principal and interest requirements to retire general obligation bonds and the installment loan outstanding at June 30, 1999 are as follows:

Fiscal year Ending June 30,	General Obligation Bonds	Installment Loan	Total
2000	\$131,456	\$1,447	\$132,903
2001	97,350	1,086	98,436
2002	89,650	0	89,650
2003	81,950	0	81,950
2004	74,250	0	74,250
2005-2006	125,400	0	125,400
	<u>\$600,056</u>	<u>\$2,533</u>	<u>\$602,589</u>

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 16 - Capital Leases - Lessee Disclosure

In prior years, the School District entered into two capitalized leases for the acquisition of copiers. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$38,093 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$7,918 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	Amount
2000	\$9,290
2001	8,497
Total	17,787
Less: Amount Representing Interest	1,353
Present Value of Net Minimum Lease Payments	\$16,434

Note 17 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of lunchroom 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, 1999.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

	Lunchroom	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$78,830	\$16,369	\$95,199
Depreciation	2,901	0	2,901
Operating Income (Loss)	(48,232)	2,005	(46,227)
Donated Commodities	8,609	0	8,609
Operating Grants	31,699	0	31,699
Net Income	(7,695)	2,005	(5,690)
Net Working Capital	807	4,867	5,674
Total Assets	30,931	4,867	35,798
Total Equity	6,764	4,867	11,631
Encumbrances Outstanding	0	1,998	1,998

Note 18 - 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. Financial information can be obtained from: Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

Ohio Schools Council The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. The Council sponsors an insurance purchasing plan in which the School District participates. 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 1999, the School District paid \$1,200 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

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.

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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.

Auburn Career Center The Auburn Career Center is a joint vocational school district which is a jointly governed organization among eleven school districts. Each participating school district appoints one member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

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. 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. Financial information can be obtained by writing the fiscal agent, Mentor Exempted Village School District, 6451 Center Street, Mentor, OH 44060.

Note 19 - School Foundation Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school founding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,741,237 school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and,

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

Note 20 - 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, 1999.

B. Litigation

The School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 21 - Set-Aside Calculations and Fund Reserves

The Ledgemont Local School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

Ledgemont Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside reserve balance June 30, 1999	\$0	\$0	\$23,432	\$23,432
Current year set-aside requirement	64,440	64,440	0	128,880
Current year offsets	(9,614)	0	0	(9,614)
Qualifying disbursements	<u>(149,343)</u>	<u>(93,426)</u>	<u>0</u>	<u>(143,005)</u>
Cash Balance Carried Forward to Future Fiscal Years	<u>(94,517)</u>	<u>0</u>	<u>23,432</u>	
Amount restricted for bus purchases				<u>1,070</u>
Set-aside reserve balance as of June 30,	<u>\$0</u>	<u>\$0</u>	<u>\$23,432</u>	<u>\$24,502</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented

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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 statements of Ledgemont Local School District, Geauga County, Ohio, (the District) as of and for the years ended June 30, 2000 and June 30, 1999, and have issued our report thereon dated December 12, 2000, in which we noted the District restated the General and Special Revenue Fund's fund equity for fiscal year June 30, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General 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 2000-11128-001 and 2000-11128-002.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 12, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Ledgemont Local School District
Geauga County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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.

Jim Petro
Auditor of State

December 12, 2000

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
FOR THE YEARS ENDED JUNE 30, 2000 AND JUNE 30, 1999**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2000-11128-001
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Ohio Rev. Code Section 5705.39 states total appropriations should not exceed total estimated revenue. As of June 30, 2000, the Management Information System, Public School Support, SchoolNet Plus, Title III, Title VI, Drug Free Funds had total appropriations in excess of estimated revenue plus carryover balances in the amounts of \$5,819, \$5,160, \$2,866, \$1,200, \$4,923, and \$1,900, respectively.

We recommend the District not appropriate in excess of its estimated revenues and make adjustments, as appropriate to the certificate and/or the appropriations throughout the year to ensure compliance with the above requirement.

Finding Number	2000-11128-002
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Ohio Rev. Code Section 5705.41(B) states that expenditure plus encumbrances should not exceed appropriations. As of June 30, 2000 the following accounts had expenditures plus encumbrances that exceeded appropriations:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund			
Regular Instruction			
Salaries	\$796,961	\$1,320,960	\$523,999
Ohio Reads			
Regular Instruction			
Materials and Supplies	29,000	38,979	9,979
Debt Service Fund			
Bond Retirement			
Debt Service - Principal	95,000	110,000	15,000

We recommend the District not expend funds in excess of appropriations and make adjustments to the appropriations throughout the year to ensure compliance with the above requirement.



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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
JANUARY 11, 2001**