

**Ledgemont Local School District**  
**Geauga County, Ohio**

*Audited Financial Statements*  
***June 30, 2010***





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ledgemont Local School District, Geauga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ledgemont Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 8, 2012

**This page intentionally left blank.**

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEOUGA COUNTY**

**TABLE OF CONTENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

---

	<i>Page</i>
Table of Contents .....	1
Independent Auditor’s Report .....	2
Management’s Discussion and Analysis .....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	18
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds .....	19
Notes to the Basic Financial Statements .....	20
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Accounting Standards .....	43
Schedule of Findings .....	45
Schedule of Prior Audit Findings .....	53

**This page intentionally left blank.**

February 14, 2012

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

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ledgemont Local School District, Geauga County, Ohio (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Ledgemont Local School District, Geauga County, Ohio as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 to the financial statements, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316 of the Ohio Rev. Code. Note 19 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2012 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Rea & Associates, Inc.*

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

---

The discussion and analysis of Ledgemont Local School District's (the School District) financial performance is presented by the School District's Treasurer and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2010 include:

- Total assets for fiscal year 2010 decreased due to the decline in income tax collection. The income tax levy expired which caused a decline in available cash.
- The School District's enrollment decreased 64 students from fiscal year 2009 to fiscal year 2010. As a result of this decrease, there was a decrease to School Foundation revenues from the State of Ohio.
- Overall expenses increased during fiscal year 2010 due to increases in employee benefits costs. Healthcare premiums increased 35 percent over the prior year.
- The general fund had a decrease in fund balance due mainly to decreases in income tax revenue. The only amounts received for income tax revenue for the current year were for delinquencies. The income tax levy expired in December 2008. The Board of Education was not able to pass a replacement levy for fiscal year 2010 operations.

### **Using this Annual Financial Report**

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

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

### **Reporting the School District as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

This analysis of the School District encompasses all of the School District's funds used to provide programs and activities and presents them as a whole. This view of the School District as a whole looks at all financial transactions and answers the questions, "What were the fiscal changes throughout the year" and "What was the net effect of those changes?" The Statement of Net Assets and the Statement of Activities provide the

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

---

basis for answering these questions. The statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

### **Reporting the School District's Most Significant Funds**

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

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

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

### **The School District as a Whole**

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for fiscal year 2010 compared to fiscal year 2009:

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**(Table 1)**  
**Net Assets - Governmental Activities**

	2010	2009	Change
<b>Assets</b>			
Current and Other Assets	\$2,215,837	\$2,871,975	(\$656,138)
Capital Assets, Net	1,190,469	1,307,417	(116,948)
<i>Total Assets</i>	<u>3,406,306</u>	<u>4,179,392</u>	<u>(773,086)</u>
<b>Liabilities</b>			
Current and Other Liabilities	2,715,515	2,240,625	(474,890)
Long-Term Liabilities:			
Due Within One Year	65,623	27,240	(38,383)
Due in More than One Year	231,963	346,997	115,034
<i>Total Liabilities</i>	<u>3,013,101</u>	<u>2,614,862</u>	<u>(398,239)</u>
<b>Net Assets</b>			
Invested in Capital Assets	1,190,469	1,307,417	(116,948)
Restricted:			
Capital Projects	16,180	29,822	(13,642)
Debt Service	63,670	63,670	0
Set Asides	888,926	1,014,445	(125,519)
Other Purposes	77,965	166,413	(88,448)
Unrestricted (Deficit)	<u>(1,844,005)</u>	<u>(1,017,237)</u>	<u>(826,768)</u>
<i>Total Net Assets</i>	<u><u>\$393,205</u></u>	<u><u>\$1,564,530</u></u>	<u><u>(\$1,171,325)</u></u>

The School District had a decrease in current assets mainly due to decreases in cash and cash equivalents and income taxes receivable. The income tax levy expired during fiscal year 2009. Income tax revenue collected during the current fiscal year represents delinquent amounts from prior years. In addition to the large decrease in income tax revenue, a decrease in property taxes due to reductions in assessed valuation and decreases in State Foundation revenue has affected the School District's cash balance.

The School District had an increase in total liabilities due to a number of factors. Increases in accounts and intergovernmental payables are due to the School District holding bills from fiscal year 2010 to pay in fiscal year 2011. In addition, there was an increase in deferred revenue compared to the prior year due to less property tax revenue being available for the School District to request from Geauga County in the form of an advance.

In order to further understand what makes up the changes in net assets for the current year, the following table gives further details regarding the results of activities for fiscal years 2010 and 2009.

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**(Table 2)**  
**Changes in Net Assets - Governmental Activities**

	2010	2009	Change
<b>Revenues</b>			
<i>Program Revenues</i>			
Charges for Services and Sales	\$328,674	\$382,431	(\$53,757)
Operating Grants and Contributions	512,921	463,899	49,022
Capital Grants	3,000	14,956	(11,956)
<i>Total Program Revenues</i>	<u>844,595</u>	<u>861,286</u>	<u>(16,691)</u>
<i>General Revenues</i>			
Property Taxes	1,872,632	1,965,919	(93,287)
Income Taxes	44,090	554,316	(510,226)
Grant and Entitlements not Restricted to Specific Programs	2,660,734	2,747,694	(86,960)
Investment Earnings	1,715	13,505	(11,790)
Gain on Sale of Capital Asset	0	1,600	(1,600)
Miscellaneous	31,167	945	30,222
<i>Total General Revenues</i>	<u>4,610,338</u>	<u>5,283,979</u>	<u>(673,641)</u>
<i>Total Revenues</i>	<u>5,454,933</u>	<u>6,145,265</u>	<u>(690,332)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	2,403,156	2,898,109	494,953
Special	971,278	884,072	(87,206)
Vocational	134,784	144,877	10,093
Student Intervention	627,355	0	(627,355)
Support Services:			
Pupil	115,400	108,397	(7,003)
Instructional Staff	102,056	100,929	(1,127)
Board of Education	24,201	18,323	(5,878)
Administration	584,791	546,931	(37,860)
Fiscal	191,962	185,483	(6,479)
Operation and Maintenance of Plant	574,484	587,073	12,589
Pupil Transportation	574,855	480,032	(94,823)
Central	21,499	21,849	350
Extracurricular Activities	124,070	137,758	13,688
Operation of Food Service	170,307	186,515	16,208
Operation of Non-Instructional Services	6,060	15,363	9,303
<i>Total Program Expenses</i>	<u>6,626,258</u>	<u>6,315,711</u>	<u>(310,547)</u>
<i>Decrease in Net Assets</i>	(1,171,325)	(170,446)	(1,000,879)
<i>Net Assets Beginning of Year</i>	<u>1,564,530</u>	<u>1,734,976</u>	<u>(170,446)</u>
<i>Net Assets End of Year</i>	<u>\$393,205</u>	<u>\$1,564,530</u>	<u>(\$1,171,325)</u>

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

***Governmental Activities***

The School District carefully plans its financial future by projecting its revenues and expenses and presents them in a five-year forecast. The five-year forecast changes continually and is presented to and approved by the Board of Education at least twice a year. The School District income tax estimates and audits are based on the State income tax filings.

The School District relies heavily upon property taxes, income taxes and the State School Foundation Program to support its operations. Decreases in both property taxes due to decreases in assessed valuation and income tax revenue due to the expiration of the levy has placed a financial strain on the School District. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

Program expenses decreased due to the School District limiting spending as much as possible due to the loss of income tax revenue. The School District made staff reductions and didn't replace open positions where possible. The high school library was closed during the fiscal year to save on expenses as well. To limit any potential increases in expenses there were no negotiated raises offered to employees for the 2010 fiscal year. These reductions were offset by increases in health care premiums paid by the School District compared to the prior year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2010 compared to 2009.

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

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$4,136,573	\$3,566,377	\$3,927,058	\$3,522,587
Support Services:				
Pupil and Instructional Staff	217,456	209,596	209,326	197,934
Board of Education, Administration, and Fiscal	800,954	776,695	750,737	607,955
Operation and Maintenance of Plant	574,484	557,230	587,073	545,756
Pupil Transportation	574,855	558,062	480,032	448,239
Central	21,499	14,848	21,849	16,849
Extracurricular Activities	124,070	13,391	137,758	101,617
Operation of Food Service	170,307	83,218	186,515	3,433
Operation of Non-Instructional Services	6,060	2,246	15,363	10,055
<i>Total Expenses</i>	<u>\$6,626,258</u>	<u>\$5,781,663</u>	<u>\$6,315,711</u>	<u>\$5,454,425</u>

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 40.62 percent and grants and entitlements account for 57.71 percent of total general revenues in fiscal year 2010. These percentages are slightly different from fiscal year 2009 due to the decrease in income tax revenues. All governmental activities general revenue support is 84.52 percent of total governmental revenues.

**The School District's Funds**

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,488,907 and expenditures of \$6,585,961 excluding other financing sources and uses. The general fund had a decrease in fund balance mainly due to decreases in income tax collection from the income tax levy not passing, decreases in property tax revenue from the decrease in assessed valuation and decreases in State Foundation revenue partly due to declining enrollment. Other governmental funds had a decrease in fund balance due to increases in expenditures from rising health care premiums out passing increases in grants received.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2010, the School District amended its general fund budget only a few times. Actual revenues received were higher than the certification primarily due to the receipt of more State foundation, property tax and miscellaneous revenue than expected. Final appropriations were lower than actual expenditures due to very conservative estimates which did not reflect actual expenditures for the year over all functions. The School District's ending unencumbered cash balance was positive at the end of the fiscal year but it is significantly less than the prior year balance.

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 shows fiscal year 2010 balances compared to fiscal year 2009. More detailed information is presented in Note 10 of the notes to the basic financial statements.

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

	Governmental Activities		
	2010	2009	Change
Land	\$119,100	\$119,100	\$0
Land Improvements	73,541	81,142	(7,601)
Buildings and Improvements	915,485	980,083	(64,598)
Furniture and Equipment	74,069	93,076	(19,007)
Vehicles	8,274	34,016	(25,742)
<b>Totals</b>	<b>\$1,190,469</b>	<b>\$1,307,417</b>	<b>(\$116,948)</b>

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

---

All capital assets, except land are reported net of depreciation. During the fiscal year, the School District purchased a new ice machine and used milk cooler. The net decrease in capital assets during the fiscal year resulted due to the net effect of current year additions and annual depreciation expense.

***Debt***

At June 30, 2010 the School District had no bonds outstanding. The School District's long-term obligations outstanding consist of compensated absences payable of \$297,586 and \$374,237 for fiscal years 2010 and 2009, respectively. More detailed information is presented in Note 15 of the notes to the basic financial statements.

**Challenges and Opportunities for the Future**

On November 9, 2010, the School District was declared by the Auditor of State to be in a state of "fiscal emergency" based on an anticipated deficit for fiscal year end 2011. A five-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 financial recovery plan.

Many factors have contributed to the School District's financial condition. The School District's income tax levy expired at the end of calendar year 2008 causing a significant decline in income tax revenue. The Board of Education placed a levy on the ballot in both May and November of 2009 to replace the levy but was declined by votes on both occasions. The Board of Education returned to the voters in May of 2010 and placed a five year, 1.25 percent income tax levy on the ballot which was approved by voters. The new levy becomes effective on January 1, 2011 and is estimated to generate a minimum of \$1,000,000 annually. Even with the passing of the income tax levy, the financial future of the School District will continue to face challenges. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to partly fund its operations. State level challenges continue to evolve with the unpredictable future of State funding.

The School District will continue to provide the best education it can to the community's most important asset. It will be a responsible and conservative custodian of the public's monies. The School District will continue to work within the confines of the budget it has set forth. The School District is currently working with contacts with negotiating parties and outside insurance brokers to best bring down the cost of the consistent rising health care costs. Working in conjunction with the State of Ohio Department of Taxation, the School District will vigorously pursue the collection of back taxes owed from the School District's income tax.

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Kelly Moore, Treasurer at Ledgemont Local School District, 16200 Burrows Rd. Thompson, OH 44086, or [kelly.moore@ledgemontschools.org](mailto:kelly.moore@ledgemontschools.org).

## **Basic Financial Statements**

**Ledgemont Local School District**

*Statement of Net Assets*

*June 30, 2010*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$183,534
Intergovernmental Receivable	9,770
Inventory Held for Resale	3,325
Materials and Supplies Inventory	24,335
Property Taxes Receivable	1,944,299
Income Taxes Receivable	50,574
Nondepreciable Capital Assets	119,100
Depreciable Capital Assets	<u>1,071,369</u>
<i>Total Assets</i>	<u>3,406,306</u>
<b>Liabilities</b>	
Accounts Payable	118,548
Accrued Wages and Benefits	525,775
Intergovernmental Payable	365,777
Matured Compensated Absences Payable	44,442
Deferred Revenue	1,660,973
Long-Term Liabilities:	
Due Within One Year	65,623
Due in More Than One Year	<u>231,963</u>
<i>Total Liabilities</i>	<u>3,013,101</u>
<b>Net Assets</b>	
Invested in Capital Assets	1,190,469
Restricted for:	
Capital Projects	16,180
Debt Service	63,670
Set Asides	888,926
Other Purposes	77,965
Unrestricted (Deficit)	<u>(1,844,005)</u>
<i>Total Net Assets</i>	<u><u>\$393,205</u></u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	Program Revenues				Net Revenue/(Expense) and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$2,403,156	\$88,717	\$201,414	\$3,000	(\$2,110,025)
Special	971,278	25,211	228,628	0	(717,439)
Vocational	134,784	4,033	75	0	(130,676)
Student Intervention	627,355	18,771	347	0	(608,237)
Support Services:					
Pupil	115,400	3,359	1,465	0	(110,576)
Instructional Staff	102,056	2,975	61	0	(99,020)
Board of Education	24,201	724	0	0	(23,477)
Administration	584,791	17,364	334	0	(567,093)
Fiscal	191,962	5,731	106	0	(186,125)
Operation and Maintenance of Plant	574,484	16,940	314	0	(557,230)
Pupil Transportation	574,855	16,487	306	0	(558,062)
Central	21,499	0	6,651	0	(14,848)
Extracurricular Activities	124,070	38,288	72,391	0	(13,391)
Operation of Food Service	170,307	87,089	0	0	(83,218)
Operation of Non-Instructional Services	6,060	2,985	829	0	(2,246)
<i>Total Governmental Activities</i>	<u>\$6,626,258</u>	<u>\$328,674</u>	<u>\$512,921</u>	<u>\$3,000</u>	<u>(5,781,663)</u>
<b>General Revenues</b>					
					1,872,632
Property Taxes Levied for General Purposes					44,090
Income Taxes Levied for General Purposes					2,660,734
Grants and Entitlements not Restricted to Specific Programs					1,715
Investment Earnings					31,167
Miscellaneous					<u>31,167</u>
<i>Total General Revenues</i>					<u>4,610,338</u>
Change in Net Assets					(1,171,325)
<i>Net Assets Beginning of Year</i>					<u>1,564,530</u>
<i>Net Assets End of Year</i>					<u>\$393,205</u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2010*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$0	\$142,499	\$142,499
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	41,035	0	41,035
Intergovernmental Receivable	4,830	4,940	9,770
Interfund Receivable	10,268	0	10,268
Inventory Held for Resale	0	3,325	3,325
Materials and Supplies Inventory	23,398	937	24,335
Property Taxes Receivable	1,944,299	0	1,944,299
Income Taxes Receivable	50,574	0	50,574
<i>Total Assets</i>	<u>\$2,074,404</u>	<u>\$151,701</u>	<u>\$2,226,105</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$117,992	\$556	\$118,548
Accrued Wages and Benefits	481,713	44,062	525,775
Interfund Payable	0	10,268	10,268
Intergovernmental Payable	359,005	6,772	365,777
Matured Compensated Absences Payable	43,493	949	44,442
Deferred Revenue	1,773,991	4,940	1,778,931
<i>Total Liabilities</i>	<u>2,776,194</u>	<u>67,547</u>	<u>2,843,741</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	1,207	0	1,207
Reserved for Property Taxes	170,308	0	170,308
Reserved for Textbooks	376,987	0	376,987
Reserved for Bus Purchases	16,022	0	16,022
Reserved for Capital Improvements	511,939	0	511,939
Reserved for Long-Term Advances	10,268	0	10,268
Unreserved:			
Undesignated, Reported in:			
General Fund (Deficit)	(1,788,521)	0	(1,788,521)
Special Revenue Funds	0	20,326	20,326
Debt Service Fund	0	63,670	63,670
Capital Projects Funds	0	158	158
<i>Total Fund Balances (Deficit)</i>	<u>(701,790)</u>	<u>84,154</u>	<u>(617,636)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,074,404</u>	<u>\$151,701</u>	<u>\$2,226,105</u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2010*

---

<b>Total Governmental Fund Balances (Deficit)</b>	(\$617,636)
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,190,469
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	\$113,018
Grants	4,940
	117,958
Long-term liabilities payable, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(297,586)
<i>Net Assets of Governmental Activities</i>	<u><u>\$393,205</u></u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$1,864,466	\$0	\$1,864,466
Income Taxes	91,170	0	91,170
Intergovernmental	2,660,734	504,847	3,165,581
Interest	1,715	0	1,715
Tuition and Fees	172,938	11,559	184,497
Extracurricular Activities	0	38,422	38,422
Contributions and Donations	3,200	2,934	6,134
Charges for Services	0	105,755	105,755
Miscellaneous	31,008	159	31,167
<i>Total Revenues</i>	<u>4,825,231</u>	<u>663,676</u>	<u>5,488,907</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	1,984,014	362,680	2,346,694
Special	765,181	199,961	965,142
Vocational	141,408	0	141,408
Student Intervention	627,355	0	627,355
Support Services:			
Pupil	108,045	3,112	111,157
Instructional Staff	94,349	12,392	106,741
Board of Education	24,201	0	24,201
Administration	604,854	4,267	609,121
Fiscal	192,969	151	193,120
Operation and Maintenance of Plant	570,950	10,981	581,931
Pupil Transportation	551,397	0	551,397
Central	0	24,564	24,564
Extracurricular Activities	87,647	28,080	115,727
Operation of Food Service	0	169,250	169,250
Operation of Non-Instructional Services	1,881	4,179	6,060
Capital Outlay	93	12,000	12,093
<i>Total Expenditures</i>	<u>5,754,344</u>	<u>831,617</u>	<u>6,585,961</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(929,113)</u>	<u>(167,941)</u>	<u>(1,097,054)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	22,302	22,302
Transfers Out	(22,302)	0	(22,302)
<i>Total Other Financing Sources (Uses)</i>	<u>(22,302)</u>	<u>22,302</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(951,415)	(145,639)	(1,097,054)
<i>Fund Balances Beginning of Year</i>	<u>249,625</u>	<u>229,793</u>	<u>479,418</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$701,790)</u>	<u>\$84,154</u>	<u>(\$617,636)</u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

**Net Change in Fund Balances - Total Governmental Funds** (\$1,097,054)

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

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

Capital Outlay	\$2,481
Current Year Depreciation	<u>(102,836)</u>

Total (100,355)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (16,593)

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

Property Taxes	8,166
Income Taxes	(47,080)
Grants	<u>4,940</u>

Total (33,974)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 76,651

*Change in Net Assets of Governmental Activities* (\$1,171,325)

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,995,473	\$1,995,473	\$1,949,258	(\$46,215)
Income Taxes	225,988	225,988	225,598	(390)
Intergovernmental	2,663,691	2,663,691	2,655,904	(7,787)
Interest	1,746	1,746	1,743	(3)
Tuition and Fees	173,237	173,237	172,938	(299)
Contributions and Donations	3,206	3,206	3,200	(6)
Miscellaneous	8,372	8,372	31,008	22,636
<i>Total Revenues</i>	5,071,713	5,071,713	5,039,649	(32,064)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	1,683,006	1,807,748	1,974,882	(167,134)
Special	503,078	540,365	543,490	(3,125)
Vocational	124,586	133,820	143,907	(10,087)
Student Intervention	543,128	583,383	627,355	(43,972)
Support Services:				
Pupil	94,257	101,243	108,874	(7,631)
Instructional Staff	83,089	89,247	89,100	147
Board of Education	21,785	23,399	25,163	(1,764)
Administration	431,993	464,012	590,260	(126,248)
Fiscal	201,413	216,341	192,156	24,185
Operation and Maintenance of Plant	456,356	490,180	524,127	(33,947)
Pupil Transportation	428,771	460,550	496,471	(35,921)
Extracurricular Activities	74,549	80,075	87,776	(7,701)
Operation of Non-Instructional Services	1,628	1,749	1,881	(132)
Capital Outlay	81	86	93	(7)
<i>Total Expenditures</i>	4,647,720	4,992,198	5,405,535	(413,337)
<i>Excess of Revenues Over (Under) Expenditures</i>	423,993	79,515	(365,886)	(445,401)
<b>Other Financing Uses</b>				
Transfers Out	(218,892)	(235,115)	(22,302)	212,813
<i>Net Change in Fund Balance</i>	205,101	(155,600)	(388,188)	(232,588)
<i>Fund Balance Beginning of Year</i>	115,523	115,523	115,523	0
Prior Year Encumbrances Appropriated	312,493	312,493	312,493	0
<i>Fund Balance End of Year</i>	\$633,117	\$272,416	\$39,828	(\$232,588)

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2010*

---

---

**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$97,957</u></u>
--	------------------------

**Liabilities**

Due to Students	<u><u>\$97,957</u></u>
-----------------	------------------------

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

**Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as authorized by State and federal agencies. This Board of Education controls the School District’s two instructional/support facilities staffed by 23 classified employees, 43 certificated full-time and part-time teaching personnel, 4 administrators and 4 specialists who provide services to 585 students and other community members.

***Reporting Entity***

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

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

The School District participates in three jointly governed organizations. These organizations are the Lake Geauga Computer Association, the Ohio Schools’ Council, and the Ashtabula Joint Vocational School. These organizations are presented in Note 16 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however has no business-type activities.

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

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

***Fund Accounting***

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

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

***General Fund*** The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

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

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

***Measurement Focus***

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

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

***Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***Budgetary Data***

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

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

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

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

***Cash and Cash Equivalents***

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

During fiscal year 2010 investments were limited to STAR Ohio and repurchase agreements. Repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$1,715 which includes \$1,332 assigned from other School District funds.

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

***Inventory***

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

***Restricted Assets***

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

***Capital Assets***

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

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

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

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

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

***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balances are eliminated in the governmental activities column of the statement of net assets.

***Compensated Absences***

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the funds from which the employee who has accumulated unpaid leave is paid.

***Accrued Liabilities and Long-term Obligations***

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

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

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

***Net Assets***

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

Net assets restricted for other purposes include instructional services, food service operations and extracurricular activities.

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

***Fund Balance Reserves***

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***Extraordinary and Special Items***

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

***Estimates***

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

**Note 3 – Change in Accounting Principles**

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

#### **Note 4 – Accountability and Compliance**

##### ***Accountability***

At June 30, 2010, the following funds have deficit fund balances:

<b>General Fund</b>	\$701,790
<b>Special Revenue Funds:</b>	
Food Service	12,473
Career Development	122
Management Information System	1,235
Title VI-B	11,672
Title I	22,062
Reducing Class Size	9,361

The general fund concluded fiscal year 2010 with a deficit fund balance of \$701,790. The School District has experienced a financial shortfall which has resulted in deficit spending in the general fund. To alleviate the financial shortfall, the School District has developed a strategy to stabilize its cash shortfall.

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

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

***Legal Compliance***

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

As of June 30, 2010, the following funds had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41(B) and (C), Ohio Revised Code:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<b><i>General Fund</i></b>	\$5,227,313	\$5,532,225	\$304,912
<b><i>Special Revenue Funds:</i></b>			
Public School Support	12,000	29,293	17,293
Teacher Development Grant	32	2,265	2,233
Schoolnet Professional Development	1,500	6,525	5,025
Ohio Reads	9,450	10,054	604
Title VI-B	118,537	169,844	51,307
State Fiscal Stabilization Funds	0	134,867	134,867
Title II D	0	177	177
Title I	50,151	78,409	28,258

The following funds had final appropriations in excess of final certifications plus beginning balances contrary to section 5705.39, Ohio Revised Code:

	<u>Final Certifications Plus Beginning Balances</u>	<u>Final Appropriations</u>	<u>Excess</u>
<b><i>Special Revenue Funds:</i></b>			
Food Service	\$171,803	\$181,544	\$9,741
Uniform School Supply	19,641	21,177	1,536
Career Development	1,919	3,223	1,304
Teacher Development	(2,888)	32	2,920
Title VI-B	0	11,837	11,837
Title I	30,033	50,151	20,118
Drug Free Schools	1,788	2,192	404

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

The School District did not deposit cash receipts in accordance with Ohio Revised Code section 9.38. Management has indicated that procedures will be updated to ensure compliance with this law.

The School District did not maintain purchase orders for checks which is contrary to Ohio Revised Code section 149.41. Management has indicated all public records will be maintained in accordance with law.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

The School District had purchase orders dated subsequent to the invoice date which is contrary to Ohio Revised Code section 5705.41 (D). Management has indicated that funds will be properly certified prior to entering into an order or contract.

The School District did not separately identify American Recovery and Reinvestment Act awards and expenditures contrary to 2 Code of Federal Regulation section 176.210. Also, the School District did not follow the Uniform School Accounting System for all transactions contrary to Chapter 4, Section 5.0 for the Education Information Management System. Management has indicated procedures will be implemented to ensure proper account coding.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unrecorded cash represents amounts received but not reported by the School District on the operating statements (budget), but which is reported on the GAAP basis operating statements.

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

Net Change in Fund Balance	
GAAP Basis	(\$951,415)
Net Adjustment for Revenue Accruals	210,493
Net Adjustment for Expenditure Accruals	350,016
Beginning Unrecorded Cash	3,925
Adjustment for Encumbrances	(1,207)
Budget Basis	(\$388,188)

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

**Note 6 - Deposits and Investments**

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

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

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

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

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

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

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

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

**Investments**

As of June 30, 2010, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity	Percent of Total Investments
Repurchase Agreement	\$97,025	July 1, 2009	99.99%
STAR Ohio	2	Average 56.0 Days	N/A
<i>Totals</i>	\$97,027		

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

**Credit Risk.** The repurchase agreement is collateralized with a Federal National Mortgage Association Note which carries a credit rating of A-1+ with Standard and Poor’s. STAR Ohio carries a rating of AAA by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Custodial Credit Risk** For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the School District’s \$97,025 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by two percent. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

**Note 7 – Receivables**

Receivables at June 30, 2010, consisted of taxes and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

***Intergovernmental Receivables***

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
State Employees Retirement System	\$4,830
Reducing Class Size Grant	2,133
Title I Grant	2,093
Drug Free Schools Grant	<u>714</u>
Total Intergovernmental Receivables	<u><u>\$9,770</u></u>

***Property Taxes***

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

The School District receives property taxes from Geauga and Ashtabula Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which were measurable as of June 30, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010 was \$170,308 in the general fund. The amount available as an advance at June 30, 2009 was \$255,100 in the general fund.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$97,623,140	93.70 %	\$98,535,340	96.60 %
Public Utility	2,372,900	3.61	2,541,170	2.50
Tangible Personal Property	2,230,680	2.69	922,730	0.90
	<u>\$102,226,720</u>	<u>100.00 %</u>	<u>\$101,999,240</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$51.20		\$51.20	

***Income Taxes***

The School District levied a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2002, and was a seven year tax which expired December 2008. The School District received delinquencies during fiscal year 2010. In May of 2010, a 1.25 percent income tax levy was passed by the voters. Collections will not begin until January of 2011. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

**Note 8 - Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees as directed under their contract. Accumulated unused vacation time is paid to classified employees upon termination of employment, with some restrictions. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. One-fourth of unused sick time is paid at retirement. The number of unused sick days which can be accumulated is 320.

***Insurance***

Medical, surgical, vision and dental insurance is offered to employees through Anthem Blue Cross Insurance Company. In order to receive a better premium rate, the School District has agreed to a plan for medical/surgical with a deductible of \$3,000 and \$4,500 for single and family coverage, respectively. Employees are responsible for a deductible of \$100 for single and \$200 for family coverage and the School District is responsible for the remaining amounts. The School District utilizes Vantage Financial Group, a third party administrator, to track the claims paid until the deductible has been reached. The co-payment is 90/10. The premium for certified employees is \$501 for single and \$1,168 for family per month. The premium for classified employees is \$371 for single and \$1,183 for family per month.

Life insurance is offered to employees through MetLife Insurance Company of Des Moines, Iowa. Administrators, supervisors, certified, custodial and clerical employees receive \$50,000 for \$4.75 per month. All premiums are paid by the School District.

**Note 9 - Contingencies**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of the School District, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

***Litigation***

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

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ending June 30, 2010

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$119,100	\$0	\$0	\$119,100
<i>Capital Assets, being depreciated:</i>				
Land Improvements	575,271	0	0	575,271
Buildings and Improvements	4,777,157	0	0	4,777,157
Furniture and Equipment	916,574	2,481	0	919,055
Vehicles	385,606	0	(48,864)	336,742
<i>Total Capital Assets, being depreciated</i>	<u>6,654,608</u>	<u>2,481</u>	<u>(48,864)</u>	<u>6,608,225</u>
Less Accumulated Depreciation:				
Land Improvements	(494,129)	(7,601)	0	(501,730)
Buildings and Improvements	(3,797,074)	(64,598)	0	(3,861,672)
Furniture and Equipment	(823,498)	(21,488)	0	(844,986)
Vehicles	(351,590)	(9,149)	32,271	(328,468)
<i>Total Accumulation Depreciation</i>	<u>(5,466,291)</u>	<u>(102,836) *</u>	<u>32,271</u>	<u>(5,536,856)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>1,188,317</u>	<u>(100,355)</u>	<u>(16,593)</u>	<u>1,071,369</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,307,417</u>	<u>(\$100,355)</u>	<u>(\$16,593)</u>	<u>\$1,190,469</u>

In 2009, the School District had an appraisal performed that resulted in assets being reclassified between asset classes. This did not affect the net capital assets reported on the Statement of Net Assets.

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$65,625
Special	1,718
Support Services:	
Pupil	26
Administration	820
Fiscal	266
Operation and Maintenance of Plant	340
Pupil Transportation	23,841
Extracurricular Activities	8,343
Food Service Operations	1,857
<b>Total Depreciation Expense</b>	<u><u>\$102,836</u></u>

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2010, the School District contracted with various insurance companies. Coverage is as follows:

Company	Type of Coverage	Coverage
Netherlands Insurance Company	Building and Contents - replacement cost	\$13,672,549
	Extra Expense Coverage	1,000,000
	Inland Marine Coverage	970,880
	Crime Insurance	150,000
Travelers Insurance Company	Boiler and Machinery	30,000,000
	Spoilage	100,000
	Expediting Expenses	100,000
	Hazardous Substance	100,000
	Ammonia Contamination	100,000
	Water Damage	100,000
	Media	25,000
	Off Premises Service Interruption	500,000
	Ordinance or Law	1,000,000
Netherlands Insurance Company	Automobile Liability	1,000,000
	Uninsured Motorist	100,000
	Umbrella (per occurrence)	4,000,000
	General Liability	
	Per Occurrence	1,000,000
	Aggregate	2,000,000

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

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

**Note 12 - Defined Benefit Pension Plans**

*School Employee Retirement System*

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

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$83,855, \$63,121 and \$64,362 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

***State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$279,986, \$287,525 and \$271,087 respectively; 80.85 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$1,673 made by the School District and \$1,195 made by the plan members.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, all members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 13 - Post Employment Benefits**

***School Employee Retirement System***

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 1.22 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2010, this amount was \$35,800. During fiscal year 2010, the School District paid \$9,928 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$12,946, \$28,887 and \$29,371 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$4,987, \$5,208 and \$4,637 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

***State Teachers Retirement System***

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$21,537, \$22,117 and \$20,853 respectively; 80.85 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Note 14 – Operating Leases**

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

Fiscal Year	Duplicator	Copiers
2011	\$679	\$6,396
2012	0	6,396
2013	0	6,396
2014	0	1,066
	\$679	\$20,254

**Note 15 - Long-Term Obligations**

The changes in the School District’s long-term obligations during fiscal year 2010 were as follows:

	Balance 06/30/09	Additions	Reductions	Balance 06/30/10	Amount Due in One Year
Compensated Absences	\$374,237	\$53,829	\$130,480	\$297,586	\$65,623

Compensated absences will be paid from the general fund and the food service, educational management information systems, title VI-B, title I and reducing class size special revenue funds.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

The School District's overall legal debt margin was \$9,096,886 with an unvoted debt margin of \$101,077 at June 30, 2010.

**Note 16 - Jointly Governed Organizations**

***Lake Geauga Computer Association*** The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2010, the School District made no payments to the LGCA. Financial information can be obtained from: Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

***Ohio Schools' Council*** The Ohio Schools' Council Association (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2010, the School District paid \$27,641 to the Ohio Schools' Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

***Ashtabula Joint Vocational School*** The Ashtabula Joint Vocational School is a jointly governed organization among eleven school districts. The governing board consists of the superintendents of the member school districts. The students of each participating school district may attend classes offered at the vocational facility. Continued existence of the Ashtabula Joint Vocational School is not dependent on the School District's continued participation. In fiscal year 2010, no fee was paid. Financial information can be obtained by writing the Ashtabula Joint Vocational School, 1565 State Route 167, Jefferson, Ohio 44047.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ending June 30, 2010

**Note 17 – Set-Asides**

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

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

	Budget Stabilization	Textbooks	Capital Improvements
Set Aside Reserve Balance as of June 30, 2009	\$23,784	\$476,241	\$514,420
Current Year Set-Aside Requirement	0	0	0
Elimination of Budget Stabilization	(23,784)	0	0
Qualifying Disbursements	0	(99,254)	(2,481)
Totals	<u>\$0</u>	<u>\$376,987</u>	<u>\$511,939</u>
Set-Aside Reserve Balance as of June 30, 2010 and Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$376,987</u>	<u>\$511,939</u>

The School District, under Ohio Revised Code 3315.17 and 3315.18, elected to suspend contributions into the textbooks and capital acquisitions for fiscal year 2010. The total reserve balance for the two set-asides at the end of the fiscal year was \$888,926. Due to the economic conditions at the School District, there was not enough restricted cash to cover the reserve. Restricted cash in the general fund is \$41,035.

**Note 18 – Interfund Transfers and Balances**

***Interfund Transfers***

The School District made transfers from the general fund to other non-major governmental funds totaling \$22,302 to move unrestricted balances to support programs and projects accounted for in other funds.

***Interfund Balances***

Interfund balances at June 30, 2010, consist of a general fund advance of \$10,268 to the title VI-B special revenue fund to support the programs of the fund. The \$10,268 advance to the title VI-B is not expected to be repaid within one year.

**Note 19 – Subsequent Events**

On August 6, 2010, the School District issued tax anticipation notes in the amount of \$200,000 with an interest rate of 3.88 percent. The notes were issued to finance the replacement of a new boiler for the elementary/middle school.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2010*

---

On November 9, 2010, the Auditor of State declared the Ledgemont Local School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(1). In accordance with the law, a five-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 financial recovery plan. The Commission is comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of Budget and Management, an appointee of the Governor, and an appointee of the Geauga County Auditor. Once the plan is adopted, the Board of Education's discretion is limited in all financial activity of the School District must be in accordance with the plan. Many factors have contributed to the School District's financial condition including significant reductions in State revenues, statewide reductions in the funding formula as a result of the economic crisis, phase-out of the tangible personal property tax, increasing health care costs and the expiration of the income tax levy on December 31, 2008.

On December 6, 2010, the School District received an interest free State Solvency assistance advance in the amount of \$2,170,000. The State Solvency assistance advance will be paid from the general fund with School foundation revenue.

On December 27, 2011, the School District issued Revenue Anticipation Notes in the amount of \$750,000 with an interest rate of 2.50 percent. The notes were issued for general operating expenses and will be repaid with the State Emergency Advance.

February 14, 2012

To the Board of Education  
Ledgemont Local School District  
16200 Burrows Road  
Thompson, Ohio 44086

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ledgemont Local School District, Geauga County, Ohio (the School District) as of and for the year ended June 30, 2010, and have issued our report thereon dated February 14, 2012 wherein we noted the School District is experiencing financial difficulties and was declared to be in fiscal emergency under criteria established by Ohio Rev. Code Section 3316.03 (B) (1). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Ledgemont Local School District  
Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards  
Page 2

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items #2010-01, #2010-02, and #2010-03 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item #2010-04 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items #2010-05, #2010-06, #2010-07, #2010-08, #2010-09, and #2010-10.

We noted certain matters that we reported to management of the School District in a separate letter dated February 14, 2012.

The School District management's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the School District management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING #2010-01**

**Material Weakness – Bank Reconciliation**

**Criteria:** A necessary step in the internal control over financial reporting is to reconcile the cash balance of the bank and to the cash balance in the accounting records. Segregation of duties is essential to strong internal controls over financial reporting.

**Condition:** Adjustments were being carried on the monthly bank reconciliations without adequate supporting documentation for the adjustments. Three manually written checks in fiscal year 2010 totaling \$1,356 were issued and cleared the bank account without being entered into the accounting system. Several checks issued were not posted to the accounting system timely causing adjustments to be carried on the monthly bank reconciliations. There were receipts not posted timely to the accounting records.

**Cause:** Due to the small size of the School District proper segregation of duties is difficult to achieve. The Treasurer posts all receipts to the accounting system and performs the monthly bank reconciliation without approval of the Superintendent or Board of Education.

**Potential Effect:** Without complete and timely posting of receipts and disbursements, the School District’s internal control is weakened, which could hinder the detection of errors or irregularities by the School District’s management in a timely manner. In addition, the lack of monitoring may lead to errors, irregularities, or misappropriation of School District assets, and untimely audit reports.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2010**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
---

**FINDING #2010-01 (Continued)  
Material Weakness – Bank Reconciliation**

**Recommendation:** We recommend the School District take all steps necessary to reconcile the cash balance of the bank to the cash balance in the accounting records each month; all checks issued are recorded in the accounting system; and the Superintendent and/or Board of Education scrutinize and approve the monthly bank reconciliations.

**Management Response:** Bank Accounts will be reconciled monthly. The Superintendent will review and sign off when completed.

**FINDING #2010-02  
Material Weakness – Financial Reporting**

**Criteria:** Financial reporting is the responsibility of the Treasurer of the School District and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

**Condition:** Part of the criteria for the School District’s fiscal emergency status is a financial forecast audit. During the financial forecast audit performed by the Auditor of the State (AOS), several material adjustments were detected and required to be posted. These adjustments materially affected property tax revenue, intergovernmental revenue, transfers in, transfers out, special instruction expense, other instruction expense, fiscal services expense, and tuition revenue. These errors were made on a cash basis and subsequently corrected by Local Government Services (third party financial statement preparer). These errors were not detected by the School District’s management and resulted in improper financial reports presented to the Board of Education.

**Cause:** A previous Treasurer incorrectly recorded property tax revenues and foundation revenues net of the corresponding county and state fees. Revenues were recorded in the wrong funds. Also, the previous Treasurer incorrectly recorded fund to fund reimbursements as transfers in and out.

**Potential Effect:** Without adequate monitoring of financial reporting there is an increased risk of material misstatement. While contracting with a third party financial statement preparer serves as a control over financial reporting management should post revenues and expenses correctly on a cash basis. Incorrect posting can lead to materially misstated financial statements, financial forecasts, and budgets.

**Recommendation:** We recommend the School District implement a process of review over receipt and expenditure posting to ensure proper recording. Also, the School District should consult with third party accountants to ensure all transactions materially correct.

**Management Response:** Procedures will be implemented to ensure proper financial reporting. Ledgemont Local School District will consult with 3<sup>rd</sup> party accountants for accuracy.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2010**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
---

**FINDING #2010-03**

**Material Weakness – Financial Reporting**

**Criteria:** In 2010, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 115, Communicating Internal Control Related Matters Identified in an Audit, which supersedes SAS No. 112. This standard became effective for audits of financial statements for periods ending on or after December 15, 2009.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 115 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

**Condition:** General fund transfers in were overstated by \$104,388 and Other Governmental transfers out were overstated by \$104,388.

**Cause:** A previous Treasurer incorrectly recorded federal revenue and disbursements in a consistent manner. Federal expenditures were made from the General Fund and were subsequently reimbursed from the respective federal funds using a transfer in and transfer out.

**Effect:** The conditions described above resulted in material audit adjustments affecting intergovernmental revenue, special instruction expense, regular instruction expense, support services expense, transfers in, transfers out.

**Recommendation:** To ensure the School District’s financial statements and notes to the financial statements are complete and accurate, the School District should adopt policies and procedures, including a final review of the statements and notes by the School District Treasurer and Board of Education, to identify and correct errors and omissions.

**Management Response:** Procedures will be implemented to ensure proper financial reporting. Ledgemont Local School District will consult with 3<sup>rd</sup> party accountants for accuracy.

**FINDING #2010-04**

**Significant Deficiency – Capital Assets**

**Criteria:** A necessary step in internal control over financial reporting is to maintain and update capital asset records.

**Condition:** During the performance of audit procedures, we noted the School District’s capital asset records were not updated or maintained for additions or deletions.

**Cause:** The School District had an inventory valuation performed for fiscal year 2009 by an independent third party appraiser. There were few additions or deletions in fiscal year 2010, so the School District did not feel it would be cost effective to have an inventory performed. Capital asset records were updated by the third party financial statement preparer for proper recording.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2010**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
---

**FINDING #2010-04 (Continued)  
Significant Deficiency – Capital Assets**

**Potential Effect:** School District assets could be misappropriated or impaired and not properly reported due to the lack of updated capital asset records.

**Recommendation:** We recommend the School District update capital asset records based on an annual inventory and financial activity throughout the fiscal year.

**Management Response:** Procedures will be implemented to perform an annual inventory and update capital asset records annually.

**FINDING #2010-05  
Material Non-Compliance – Timely Deposits**

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

**Condition:** During the performance of audit procedures, we noted a material amount of deposits were not made in accordance with ORC 9.38. We noted cash receipts for food service, extracurricular and class fees were being deposited as long as a week after the receipt dates.

**Cause:** Deposits collected by individuals outside of the Treasurer's office including food service, extracurricular, and class fees are not being deposited with the Treasurer or in a designated depository no later than the business day following the day of receipt.

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

**Recommendation:** We recommend the School District implement a policy and procedure to document when departments deposit money with the Treasurer's office. We also recommend the School District deposit all cash collections in accordance with the above ORC section and board policy.

**Management Response:** Procedures have been implemented and communicated to the various departments to ensure timely deposits.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2010**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
---

**FINDING #2010-06**

**Material Non-Compliance – Records Retention**

**Criteria:** Ohio Rev. Code section 149.41 authorizes the School District to develop its own records commission and rules. The Board of Education has adopted a data and records retention policy which states, in part, all records are the property of the School District and are not removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the District Records Commission. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

**Condition:** During the performance of audit procedures, we noted 16 out of 80 checks in which the corresponding purchase order was not maintained and could not be produced. We were able to review the accounting system to see that the purchase order was created, however we could not test the accuracy of the information in the system since the signed purchase order was not maintained.

**Cause:** Due to turnover in the School District’s treasurer position documents were not properly maintained and could not be located.

**Potential Effect:** Failure to maintain signed purchase orders can lead to non-compliance and improper financial reporting.

**Recommendation:** We recommend the School District maintain all records in accordance with the ORC and Board of Education policies.

**Management Response:** Records are stored and tracked to ensure they are maintained in accordance with board policy.

**FINDING #2010-07**

**Material Non-Compliance – Certification of Funds**

**Criteria:** Ohio Rev. Code section 5705.41 (D) states, in part, no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by the statute:

- A. Then and Now Certificate – This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is not legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the taxing authority.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2010**

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

**FINDING #2010-07 (Continued)  
Material Non-Compliance – Certification of Funds**

**Condition:** During the performance of audit procedures, we noted 15 out of 23 purchase orders tested were dated after the invoice date. There was no evidence that the School District followed the aforementioned exceptions.

**Cause:** Purchases orders were not generated until after the receipt of the invoice.

**Potential Effect:** Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

**Management Response:** The Financial Department will utilize “Then and Now” Certificates.

**FINDING #2010-08  
Material Non-Compliance –  
Appropriations in Excess of Certified Estimated Resources**

**Criteria:** Ohio Rev. Code section 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official certificate or amended official certificate. When the appropriation does not exceed such official certificate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

**Condition:** The School District had final appropriations exceeding the certified estimated resources for the following funds:

	Final Certifications Plus Beginning Balances	Final Appropriations	Excess
Food Service	\$ 171,803	\$ 181,544	\$ 9,741
Uniform School Supply	19,641	21,177	1,536
Career Development	1,919	3,223	1,304
Teacher Development	(2,888)	32	2,920
Title VI-B	-	11,837	11,837
Title I	30,033	50,151	20,118
Drug Free Schools	1,788	2,192	404

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2010**

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

**FINDING #2010-08 (Continued)**

**Material Non-Compliance –  
Appropriations in Excess of Certified Estimated Resources**

**Cause:** The School District did not update its accounting records to reflect all certified resources and appropriations and Board approved amendments. Also, as noted in finding #2010-08, purchases were made without proper certification of the Treasurer.

**Potential Effect:** Failure to monitor budgetary expenditures and appropriations could result in unauthorized expenditures.

**Recommendation:** We recommend the School District monitor appropriations to estimated resources in all funds which are legally required to be budgeted, to ensure compliance with the above requirement. This comparison should be compared on a regular basis and any time either certificate of estimated resources or appropriations are modified. Also, the School District should update its accounting records to reflect any changes in either certificate of estimated resources or appropriations.

**Management Response:** The Finance Department will monitor budgets monthly and make necessary amendments.

**FINDING #2010-09**

**Material Non-Compliance –  
Expenditures in Excess of Appropriations**

**Criteria:** Ohio Rev. Code sections 5705.41 (B) and (D) prohibit a subdivision or taxing unit from expending money unless it has been appropriated.

**Condition:** During the performance of audit procedures, we noted the following funds had expenditures plus encumbrances exceeding appropriations:

	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund	\$ 5,227,313	\$ 5,532,225	\$ 304,912
Public School Support	12,000	29,293	17,293
Teacher Development Grant	32	2,265	2,233
Schoolnet Professional Development	1,500	6,525	5,025
Ohio Reads	9,450	10,054	604
Title VI-B	118,537	169,844	51,307
State Fiscal Stabilization Funds	-	134,867	134,867
Title II-D	-	177	177
Title I	50,151	78,409	28,258

**Cause:** The School District did not update its accounting records to reflect all certified resources and appropriations and Board approved amendments. Also, as noted in finding #2010-08, purchases were made without proper certification of the Treasurer.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2010**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
---

**FINDING #2010-09 (Continued)  
Material Non-Compliance –  
Expenditures in Excess of Appropriations**

**Potential Effect:** Failure to monitor budgetary expenditures and appropriations could result in unauthorized expenditures.

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

**Management Response:** The Finance Department will monitor budgets monthly and make necessary amendments.

**FINDING #2010-10  
Material Non-Compliance – Account Coding**

**Criteria:** Chapter 4, Section 5.0 for the Education Information Management System manual prescribes that each school district must maintain its records on the Uniform School Accounting System (USAS). This system involves an account structure with district dimensions. Also, as provided in 2 CFR section 176.210, Federal agencies must require recipients to (1) agree to maintain records that identify adequately the source and application of American Recovery and Reinvestment Act (ARRA) awards; (2) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award, CFDA number, and the amount of ARRA funds; and (3) provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC) and require their subrecipients to provide similar identification in their SEFA and SF-SAC.

**Condition:** During the performance of audit procedures, we noted ARRA receipts and expenditures were not tracked with the cost centers provided in the USAS manual and were not separately identified from other federal expenditures. Federal receipts were posted to the wrong federal funds. We also noted the School District used function codes that were not provided in the USAS manual. Although these expenditures were properly recorded for financial statement purposes the improper account coding increases the risk of material misstatement.

**Cause:** The School District did not utilize the USAS manual and did not properly identify ARRA awards and disbursements.

**Potential Effect:** Failure to follow USAS procedures and failure to separately identify ARRA expenditures could result in improper recording and spending of School District funds.

**Recommendation:** We recommend the School District follow the USAS manual and separately identify all ARRA awards and disbursements.

**Management Response:** The Finance Department will utilize the USAS Manual for account coding.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Noted Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	ORC 5705.41 (D) proper encumbrances	No	Not Corrected, reissued as finding # 2010-07
2009-002	ORC 9.38 Timely Deposits	No	Not Corrected, reissued as finding # 2010-05
2009-003	Set-Asides and Reserve Balance Accounts	Yes	
2009-004	ORC 5705.41 (B) & (D) Expenditures Plus Encumbrances Exceeding Appropriations	No	Not Corrected, reissued as finding # 2010-09
2009-005	ORC 5705.39 Appropriations Exceeding Estimated Resources	No	Not Corrected, reissued as finding # 2010-08



# Dave Yost • Auditor of State

**LEDGEMONT LOCAL SCHOOL DISTRICT**

**GEAUGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 21, 2012**