

Ledgemont Local School District  
Geauga County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2012





# 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, 2011 through June 30, 2012. 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

December 20, 2013

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**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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November 8, 2013

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 the Ledgemont Local School District, Geauga County, Ohio (the School District), as of and for the year ended June 30, 2012 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, 2012, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22, 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 22 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 November 8, 2013 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Hea & Associates, Inc.*

Medina, Ohio



## **Ledgemont Local School District**

### **Geauga County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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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, 2012. 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 2012 include:

- In total, net assets decreased due to an increase in notes payable and decreases in available cash at year-end. The School District received a State Solvency Assistance Fund Advance during fiscal year 2012. The advance will be repaid over four years from State foundation revenues beginning in fiscal year 2014. The increase in notes payable was offset by the School District making the first year of payments on the State Solvency Assistance Fund Advance received in 2011. The decrease in available cash can be contributed to the School District having less carry over from the advance than in the prior fiscal year.
- The School District's enrollment increased slightly from fiscal year 2011 to fiscal year 2012. The increase was not enough to significantly increase School Foundation revenues from the State of Ohio. These revenues actually decreased due to the end of the State Fiscal Stabilization Funds from the Federal government. These amounts were distributed to school districts as part of the foundation settlement.
- Certified and classified employees received step increases ranging from 1 percent to 6 percent at the beginning of the fiscal year as per their negotiated contracts. These increases were offset by the retirement and reduction of a few employees.
- There was an increase in income tax revenue from fiscal year 2011 to fiscal year 2012. This increase is due to the School District receiving a full year of income tax collections related to the new levy effective January 1, 2011.

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

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

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

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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

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

This analysis of the School District encompasses all of the School District's funds used to provide programs and activities and presents them as a whole. This view of the School District as a whole looks at all financial transactions and answers the questions, "What were the fiscal changes throughout the year?" and "What was the net effect of those changes?". The Statement of Net Assets and the Statement of Activities provide the basis for answering these questions. The statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

**The School District as a Whole**

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for fiscal year 2012 compared to fiscal year 2011:

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

	2012	2011	Change
<b>Assets</b>			
Current and Other Assets	\$2,972,429	\$3,291,156	(\$318,727)
Capital Assets, Net	1,266,219	1,326,546	(60,327)
<i>Total Assets</i>	<u>4,238,648</u>	<u>4,617,702</u>	<u>(379,054)</u>
<b>Liabilities</b>			
Current and Other Liabilities	5,161,045	4,760,345	400,700
Long-Term Liabilities:			
Due Within One Year	75,664	27,464	48,200
Due in More than One Year	245,077	326,158	(81,081)
<i>Total Liabilities</i>	<u>5,481,786</u>	<u>5,113,967</u>	<u>367,819</u>
<b>Net Assets</b>			
Invested in Capital Assets	1,103,219	1,126,546	(23,327)
Restricted:			
Capital Projects	22,757	23,173	(416)
Debt Service	7,976	63,670	(55,694)
Other Purposes	44,349	163,838	(119,489)
Unrestricted (Deficit)	<u>(2,421,439)</u>	<u>(1,873,492)</u>	<u>(547,947)</u>
<i>Total Net Assets (Deficit)</i>	<u><u>(\$1,243,138)</u></u>	<u><u>(\$496,265)</u></u>	<u><u>(\$746,873)</u></u>

The School District requested a second Solvency Assistance Fund Advance during fiscal year 2012 and was not able to carry as much of the advance into the next fiscal year like the prior year. Property tax receivables decreased for fiscal year 2012 which relates to a decrease in delinquent property tax collections. Capital Assets decreased for fiscal year 2012 due to an additional year of depreciation which was offset by additions. These decreases were offset by an increase in income tax receivable due to the School District realizing a full year of income tax collections due to the new levy.

The School District had an increase in total liabilities due to the request of the second solvency assistance loan advance. The increase was offset by decreases in accounts and intergovernmental payables as well as the first payments on the State Solvency Assistance Fund Advance received in the prior year. The School District had fewer obligations to have to be carried over to the following fiscal year than in the past.

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 2012 and 2011.

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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

	2012	2011	Change
<b>Revenues</b>			
<i>Program Revenues</i>			
Charges for Services and Sales	\$375,477	\$453,804	(\$78,327)
Operating Grants and Contributions	412,224	655,930	(243,706)
Capital Grants	7,100	0	7,100
<i>Total Program Revenues</i>	<u>794,801</u>	<u>1,109,734</u>	<u>(314,933)</u>
<i>General Revenues</i>			
Property Taxes	1,802,589	2,074,873	(272,284)
Income Taxes	910,932	262,252	648,680
Grant and Entitlements not Restricted to Specific Programs	2,468,414	2,580,700	(112,286)
Investment Earnings	2,368	1,315	1,053
Miscellaneous	2,369	10,780	(8,411)
<i>Total General Revenues</i>	<u>5,186,672</u>	<u>4,929,920</u>	<u>256,752</u>
<i>Total Revenues</i>	<u>5,981,473</u>	<u>6,039,654</u>	<u>(58,181)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	2,436,670	2,506,343	(69,673)
Special	936,800	953,708	(16,908)
Vocational	94,036	91,866	2,170
Student Intervention	638,155	643,893	(5,738)
Support Services:			0
Pupil	157,508	167,361	(9,853)
Instructional Staff	76,440	98,268	(21,828)
Board of Education	18,258	34,332	(16,074)
Administration	526,615	593,300	(66,685)
Fiscal	230,140	225,673	4,467
Operation and Maintenance of Plant	724,823	747,709	(22,886)
Pupil Transportation	528,149	535,000	(6,851)
Central	23,383	19,093	4,290
Extracurricular Activities	132,644	127,485	5,159
Operation of Food Service	188,547	173,980	14,567
Operation of Non-Instructional Services	2,799	4,044	(1,245)
Interest and Fiscal Charges	13,379	7,069	6,310
<i>Total Program Expenses</i>	<u>6,728,346</u>	<u>6,929,124</u>	<u>(200,778)</u>
<i>Decrease in Net Assets</i>	(746,873)	(889,470)	142,597
<i>Net Assets Beginning of Year</i>	(496,265)	393,205	(889,470)
<i>Net Assets (Deficit) End of Year</i>	<u>(\$1,243,138)</u>	<u>(\$496,265)</u>	<u>(\$746,873)</u>

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*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 actuals 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. Income tax revenues increased due to the receipt of a full year of income tax collections due to the passing of the new levy. The new levy was not effective until the second half of the prior fiscal year. This increase was partly offset by decreases in both property taxes due to decreases in delinquent property tax collections and intergovernmental revenues due to the end of the State Fiscal Stabilization Funds and American Reinvestment and Recovery Act Funds. The increase in total revenues being outpaced by expenses continues to place a financial strain on the School District's finances. 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 only requiring essential services and restricting the purchase of supplies during fiscal year 2012. This decrease was partly offset by employees receiving step increases in fiscal year 2012 as well as an increase in health care insurance premiums.

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 year 2012 compared to fiscal year 2011.

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

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$4,105,661	\$3,624,842	\$4,195,810	\$3,707,525
Support Services:				
Pupil and Instructional Staff	233,948	230,370	265,629	138,561
Board of Education, Administration, and Fiscal	775,013	726,308	853,305	725,035
Operation and Maintenance of Plant	724,823	714,826	747,709	637,893
Pupil Transportation	528,149	516,980	535,000	517,820
Central	23,383	15,546	19,093	10,173
Extracurricular Activities	132,644	89,045	127,485	78,444
Operation of Food Service	188,547	(550)	173,980	(7,174)
Operation of Non-Instructional Services	2,799	2,799	4,044	4,044
Interest and Fiscal Charges	13,379	13,379	7,069	7,069
<b>Total Expenses</b>	<b>\$6,728,346</b>	<b>\$5,933,545</b>	<b>\$6,929,124</b>	<b>\$5,819,390</b>

**Ledgemont Local School District**

**Geauga County, Ohio**

*Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 35.16 percent and grants and entitlements account for fiscal year 48.15 percent of total general revenues in fiscal year 2012. These percentages are different from fiscal year 2011 due to the decrease in delinquent property tax collections and increase in income tax collections due to the new levy. All governmental activities general revenue support is 86.58 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 \$6,072,981 and expenditures of \$6,700,900 excluding other financing sources and uses. The general fund had increases in income tax collections and decreases in expenditures for fiscal year 2012 but not enough to eliminate the deficit spending. Other governmental funds had a decrease in fund balance due to a decrease of grant monies from the conclusion of federal award programs.

**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 2012, the School District amended its general fund budget only a few times. Actual revenues received were lower than the certification primarily due to the receipt of less State foundation and property tax revenue than expected. Final appropriations were increased from original appropriations due to anticipated increases in instruction and support services. Final appropriations were higher than actual expenditures due to the School District closely watching expenditures.

The School District’s ending unencumbered cash balance was positive at the end of the fiscal year due to the receipt of the Solvency Assistance Fund Advance.

**Capital Assets and Debt Administration**

**Capital Assets**

Table 4 shows fiscal year 2012 balances compared to fiscal year 2011. More detailed information is presented in Note 12 of the notes to the basic financial statements.

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

	Governmental Activities		
	2012	2011	Change
Land	\$119,100	\$119,100	\$0
Land Improvements	58,339	65,940	(7,601)
Buildings and Improvements	827,233	850,887	(23,654)
Furniture and Equipment	179,805	207,946	(28,141)
Vehicles	81,742	82,673	(931)
<b>Totals</b>	<b>\$1,266,219</b>	<b>\$1,326,546</b>	<b>(\$60,327)</b>

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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All capital assets, except land are reported net of depreciation. During the fiscal year, the School District made improvements to the bus garage and elementary school and high school roof. A bus and pickup truck was also purchased during the fiscal year. 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, 2012, the School District had no bonds outstanding. The School District's long-term obligations outstanding consist of compensated absences payable of \$320,741 and \$353,622 for fiscal years 2012 and 2011, respectively. More detailed information is presented in Note 18 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. With the assistance of the Financial Planning and Supervision Commission, the School District was able to put in place a recovery plan on February 28, 2011.

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 became effective on January 1, 2011 and is estimated to generate \$1,000,000 annually by fiscal year 2013. 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. 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 Belinda Grassi, Treasurer at Ledgemont Local School District, 16200 Burrows Rd. Thompson, OH 44086, or [belinda.grassi@ledgemontschools.org](mailto:belinda.grassi@ledgemontschools.org).

## **Basic Financial Statements**



**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Statement of Net Assets*  
*June 30, 2012*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$438,222
Intergovernmental Receivable	47,726
Inventory Held for Resale	2,339
Materials and Supplies Inventory	20,383
Property Taxes Receivable	1,977,638
Income Taxes Receivable	486,121
Nondepreciable Capital Assets	119,100
Depreciable Capital Assets	1,147,119
<i>Total Assets</i>	4,238,648
<b>Liabilities</b>	
Accounts Payable	19,118
Accrued Wages and Benefits	447,093
Intergovernmental Payable	83,101
Accrued Interest Payable	3,751
Matured Compensated Absences Payable	56,998
Deferred Revenue	1,625,984
Notes Payable	2,925,000
Long-Term Liabilities:	
Due Within One Year	75,664
Due in More Than One Year	245,077
<i>Total Liabilities</i>	5,481,786
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,103,219
Restricted for:	
Capital Projects	22,757
Debt Service	7,976
Other Purposes	44,349
Unrestricted (Deficit)	(2,421,439)
<i>Total Net Assets (Deficit)</i>	(\$1,243,138)

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Capital Grants	Net Revenue/(Expense) and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$2,436,670	\$246,656	\$81,208	\$3,600	(\$2,105,206)
Special	936,800	0	148,944	0	(787,856)
Vocational	94,036	0	411	0	(93,625)
Student Intervention	638,155	0	0	0	(638,155)
Support Services:					
Pupil	157,508	0	2,882	0	(154,626)
Instructional Staff	76,440	0	696	0	(75,744)
Board of Education	18,258	0	0	0	(18,258)
Administration	526,615	0	48,657	0	(477,958)
Fiscal	230,140	0	48	0	(230,092)
Operation and Maintenance of Plant	724,823	6,000	497	3,500	(714,826)
Pupil Transportation	528,149	0	11,169	0	(516,980)
Central	23,383	0	7,837	0	(15,546)
Extracurricular Activities	132,644	42,662	937	0	(89,045)
Operation of Food Service	188,547	80,159	108,938	0	550
Operation of Non-Instructional Services	2,799	0	0	0	(2,799)
Interest and Fiscal Charges	13,379	0	0	0	(13,379)
<i>Total Governmental Activities</i>	\$6,728,346	\$375,477	\$412,224	\$7,100	(5,933,545)
<b>General Revenues</b>					
					1,802,589
Property Taxes Levied for General Purposes					910,932
Income Taxes Levied for General Purposes					2,468,414
Grants and Entitlements not Restricted to Specific Programs					2,368
Investment Earnings					2,369
Miscellaneous					2,369
<i>Total General Revenues</i>					5,186,672
Change in Net Assets					(746,873)
<i>Net Assets (Deficit) Beginning of Year</i>					(496,265)
<i>Net Assets (Deficit) End of Year</i>					(\$1,243,138)

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$177,673	\$96,027	\$273,700
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	164,522	0	164,522
Intergovernmental Receivable	0	47,726	47,726
Interfund Receivable	20,945	0	20,945
Inventory Held for Resale	0	2,339	2,339
Materials and Supplies Inventory	19,614	769	20,383
Property Taxes Receivable	1,977,638	0	1,977,638
Income Taxes Receivable	486,121	0	486,121
<i>Total Assets</i>	<u>\$2,846,513</u>	<u>\$146,861</u>	<u>\$2,993,374</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$17,818	\$1,300	\$19,118
Accrued Wages and Benefits	414,115	32,978	447,093
Interfund Payable	0	20,945	20,945
Intergovernmental Payable	77,409	5,692	83,101
Matured Compensated Absences Payable	56,998	0	56,998
Deferred Revenue	1,802,793	23,672	1,826,465
Accrued Interest Payable	0	3,751	3,751
Notes Payable	2,762,000	163,000	2,925,000
<i>Total Liabilities</i>	<u>5,131,133</u>	<u>251,338</u>	<u>5,382,471</u>
<b>Fund Balances</b>			
Nonspendable	29,882	769	30,651
Restricted	164,522	61,635	226,157
Unassigned (Deficit)	(2,479,024)	(166,881)	(2,645,905)
<i>Total Fund Deficit</i>	<u>(2,284,620)</u>	<u>(104,477)</u>	<u>(2,389,097)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,846,513</u>	<u>\$146,861</u>	<u>\$2,993,374</u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2012*

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<b>Total Governmental Fund Deficit</b>	(\$2,389,097)
<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.	1,266,219
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	\$116,917
Income Taxes	59,892
Grants	<u>23,672</u>
Total	200,481
Long-term liabilities payable, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(320,741)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>(\$1,243,138)</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$1,917,938	\$0	\$1,917,938
Income Taxes	892,308	0	892,308
Intergovernmental	2,468,414	397,291	2,865,705
Interest	2,368	0	2,368
Tuition and Fees	198,336	0	198,336
Extracurricular Activities	33,046	40,414	73,460
Contributions and Donations	12,379	4,437	16,816
Charges for Services	15,279	82,402	97,681
Rentals	0	6,000	6,000
Miscellaneous	2,369	0	2,369
<i>Total Revenues</i>	<u>5,542,437</u>	<u>530,544</u>	<u>6,072,981</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	2,237,132	134,779	2,371,911
Special	781,226	149,167	930,393
Vocational	101,210	936	102,146
Student Intervention	638,155	0	638,155
Support Services:			
Pupil	153,340	2,822	156,162
Instructional Staff	74,755	1,583	76,338
Board of Education	18,258	0	18,258
Administration	506,628	49,523	556,151
Fiscal	221,929	5,184	227,113
Operation and Maintenance of Plant	703,958	56,574	760,532
Pupil Transportation	490,567	16,385	506,952
Central	15,305	8,444	23,749
Extracurricular Activities	92,246	38,376	130,622
Operation of Food Service	0	179,331	179,331
Operation of Non-Instructional Services	2,799	0	2,799
Capital Outlay	19	6,890	6,909
Debt Service:			
Interest and Fiscal Charges	6,458	6,921	13,379
<i>Total Expenditures</i>	<u>6,043,985</u>	<u>656,915</u>	<u>6,700,900</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(501,548)</u>	<u>(126,371)</u>	<u>(627,919)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	57,603	57,603
Transfers Out	(1,909)	(55,694)	(57,603)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,909)</u>	<u>1,909</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(503,457)	(124,462)	(627,919)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,781,163)</u>	<u>19,985</u>	<u>(1,761,178)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$2,284,620)</u>	<u>(\$104,477)</u>	<u>(\$2,389,097)</u>

See accompanying notes to the basic financial statements

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

*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, 2012*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$627,919)
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*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	\$59,417
Current Year Depreciation	<u>(119,744)</u>

Total	(60,327)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	(115,349)
Income Taxes	18,624
Grants	<u>5,217</u>

Total	(91,508)
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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.

32,881

<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$746,873)</u></u>
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See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$2,012,849	\$1,930,455	\$1,885,856	(\$44,599)
Income Taxes	643,915	617,557	603,290	(14,267)
Intergovernmental	2,634,637	2,526,790	2,468,414	(58,376)
Interest	2,531	2,427	2,371	(56)
Tuition and Fees	186,913	179,261	175,120	(4,141)
Charges for Services	5	5	5	0
Miscellaneous	2,869	2,753	2,688	(65)
<i>Total Revenues</i>	5,483,719	5,259,248	5,137,744	(121,504)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	1,031,501	2,278,525	2,261,472	17,053
Special	374,743	835,722	822,428	13,294
Vocational	44,714	99,718	97,373	2,345
Student Intervention	293,044	653,523	638,155	15,368
Support Services:				
Pupil	69,661	155,352	151,999	3,353
Instructional Staff	35,232	78,571	76,723	1,848
Board of Education	7,986	19,239	19,239	0
Administration	224,093	499,756	488,057	11,699
Fiscal	101,978	227,424	222,076	5,348
Operation and Maintenance of Plant	330,370	740,523	740,523	0
Pupil Transportation	223,503	525,125	525,125	0
Central	7,001	15,612	15,245	367
Extracurricular Activities	41,745	93,097	90,907	2,190
Operation of Non-Instructional Services	56	126	123	3
Capital Outlay	9	19	19	0
Debt Service:				
Principal Retirement	1,835,000	1,835,000	1,835,000	0
Interest and Fiscal Charges	0	6,458	6,458	0
<i>Total Expenditures</i>	4,620,636	8,063,790	7,990,922	72,868
<i>Excess of Revenues Over (Under) Expenditures</i>	863,083	(2,804,542)	(2,853,178)	(48,636)
<b>Other Financing Sources (Uses)</b>				
Revenue Anticipation Note Proceeds	0	750,000	750,000	0
State Solvency Assistance Advance Proceeds	0	1,677,000	1,677,000	0
Advances Out	(10,677)	(10,677)	(10,677)	0
Transfers Out	(1,909)	(1,909)	(1,909)	0
<i>Total Other Financing Sources (Uses)</i>	(12,586)	2,414,414	2,414,414	0
<i>Net Change in Fund Balance</i>	850,497	(390,128)	(438,764)	(48,636)
<i>Fund Balance Beginning of Year</i>	390,272	390,272	390,272	0
Prior Year Encumbrances Appropriated	284,671	284,671	284,671	0
<i>Fund Balance End of Year</i>	\$1,525,440	\$284,815	\$236,179	(\$48,636)

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2012*

	Private Purpose Trust	
	Frances Leighton	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$56,805	\$36,770
<b>Liabilities</b>		
Due to Students	\$0	\$36,770
<b>Net Assets</b>		
Held in Trust for Scholarships	\$56,805	

See accompanying notes to the basic financial statements



**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2012*

	<u>Frances Leighton</u>
<b>Additions</b>	
Interest	\$19,050
<b>Deductions</b>	
Scholarships Awarded	8,225
<i>Change in Net Assets</i>	10,825
<i>Net Assets Beginning of Year</i>	45,980
<i>Net Assets End of Year</i>	\$56,805

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2012*

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**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 22 classified employees, 35 certificated full-time and part-time teaching personnel and 4 administrators who provide services to 560 students and other community members.

On November 9, 2010, the Auditor of State declared the 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.

The Financial Recovery Plan was adopted on February 28, 2011. Under State law, the School District must annually update its financial recovery plan. The recovery plan includes personnel reductions during fiscal year 2013. See Note 22 for more information on the School District's fiscal emergency status.

***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 19 to the basic financial statements.

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2012*

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**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 FASB has codified its standards and the standard issued prior to November 30, 1989 are included in the codification. The more significant of the School District's accounting policies are described below.

***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.

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2012*

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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 and report for all financial resources except those required to be accounted for and reported 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.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned 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's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and the Pell 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 presented 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

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2012*

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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 8). 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 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, 2012, but which were levied to finance fiscal year 2013 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.

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2012*

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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.

***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. The School District had no investments during the fiscal year or at fiscal year end.

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 2012 amounted to \$2,368 which includes \$519 assigned from other School District funds.

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

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed 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 acquisition or construction of capital assets. See Note 20, 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).

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2012*

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Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

***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 classified as nonspendable fund balance. 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 a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee 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.

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2012*

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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 and compensated absences 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.

***Internal Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenue in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in internal service funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated that authority by resolution by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.



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***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***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 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.

***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 Principle**

For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53.” GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District's financial statements.

**Note 4 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	General Fund	Other Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>			
Inventory	\$19,614	\$769	\$20,383
Interfund Loan	10,268	0	10,268
<b><i>Total Nonspendable</i></b>	<b>29,882</b>	<b>769</b>	<b>30,651</b>
<b><i>Restricted for</i></b>			
Food Service Operations	0	6,356	6,356
Athletics	0	27,960	27,960
Classroom Facilities Maintenance	0	5,625	5,625
Teacher Development	0	20	20
Technology Improvements	0	23	23
Regular Instruction	0	10,075	10,075
Debt Service Payments	0	7,976	7,976
Capital Improvements	164,522	3,600	168,122
<b><i>Total Restricted</i></b>	<b>164,522</b>	<b>61,635</b>	<b>226,157</b>
<b><i>Unassigned (Deficit)</i></b>	<b>(2,479,024)</b>	<b>(166,881)</b>	<b>(2,645,905)</b>
<b><i>Total Fund Balances (Deficit)</i></b>	<b>(\$2,284,620)</b>	<b>(\$104,477)</b>	<b>(\$2,389,097)</b>

**Note 5 – Accountability**

At June 30, 2012, the following funds have deficit fund balances:

<b>General Fund</b>	\$2,284,620
<b>Special Revenue Funds:</b>	
Career Development	12
Title VI-B	23,026
<b>Capital Projects Fund:</b>	
Permanent Improvement	143,843

The general fund concluded fiscal year 2012 with a deficit fund balance of \$2,284,620. 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. See Note 22 for further information.

The special revenue and capital projects funds' deficits 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.

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**Note 6 - 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 restricted, committed or assigned 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.
5. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. Budgetary revenues and expenditures of the uniform school supply and public school support are classified to general fund for GAAP Reporting.

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	(\$503,457)
Net Adjustment for Revenue Accruals	(498,963)
State Solvency Assistance Advance Proceeds	1,677,000
Revenue Anticipation Note Proceeds	750,000
Net Adjustment for Expenditure Accruals	(98,922)
Beginning Unrecorded Cash	325
Principal Retirement	(1,835,000)
Advances Out	(10,677)
Excess of revenues and other financing sources over (under) expenditures and other financing uses:	
Uniform School Supply	(818)
Public School Support	3,064
Adjustment for Encumbrances	78,684
Budget Basis	(\$438,764)

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**Note 7 - 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.

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**Note 8 – Receivables**

Receivables at June 30, 2012, 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:

Governmental Activities	Amount
Title VI-B Grant	\$24,397
Food Service Subsidy	10,719
Education Jobs Grant	8,550
Race to the Top Grant	1,958
Title I Grant	1,419
Career Development Grant	683
Total Intergovernmental Receivables	<u>\$47,726</u>

***Property Taxes***

Property taxes are levied and assessed on a calendar year basis while the School District's 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 and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in calendar year 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real and public utility property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the

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next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012 was \$234,737 in the general fund. The amount available as an advance at June 30, 2011 was \$202,655 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 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$98,351,950	96.87 %	\$99,301,270	97.32 %
Public Utility	2,603,960	2.57	2,738,350	2.68
Tangible Personal Property	568,970	0.56	0	0.00
	\$101,524,880	100.00 %	\$102,039,620	100.00 %
Tax rate per \$1,000 of assessed valuation	\$51.20		\$51.20	

***Income Taxes***

In May of 2010, a 1.25 percent income tax levy was passed by the voters for general operations on the income of residents and of estates. The new tax was effective on January 1, 2011 and is a five year tax that will expire December 2015. The School District received a full year of income tax collections from this new levy during fiscal year 2012. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**Note 9 - Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn five 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 up to a maximum of 80 days. The number of unused sick days which can be accumulated is 320.

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***Insurance***

Medical, surgical, vision and dental insurance is offered to employees through United Health Care 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 \$1,000 and \$2,000 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 premium for certified and classified employees is \$573 for single and \$1,576 for family per month.

Life insurance is offered to employees through One America of Indianapolis. Administrators, supervisors, certified, custodial and clerical employees receive \$50,000 for \$6.58 per month. All premiums are paid by the School District.

**Note 10 - Contingencies**

**Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

***Litigation***

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

**Note 11 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General fund	\$83,285
Nonmajor funds	10,773
Total	<u><u>\$94,058</u></u>

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**Note 12 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
<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	41,537	0	4,818,694
Furniture and Equipment	1,018,609	4,380	0	1,022,989
Vehicles	354,940	13,500	0	368,440
<i>Total Capital Assets, being depreciated</i>	<u>6,725,977</u>	<u>59,417</u>	<u>0</u>	<u>6,785,394</u>
Less Accumulated Depreciation:				
Land Improvements	(509,331)	(7,601)	0	(516,932)
Buildings and Improvements	(3,926,270)	(65,191)	0	(3,991,461)
Furniture and Equipment	(810,663)	(32,521)	0	(843,184)
Vehicles	(272,267)	(14,431)	0	(286,698)
<i>Total Accumulation Depreciation</i>	<u>(5,518,531)</u>	<u>(119,744) *</u>	<u>0</u>	<u>(5,638,275)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>1,207,446</u>	<u>(60,327)</u>	<u>0</u>	<u>1,147,119</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,326,546</u>	<u>(\$60,327)</u>	<u>\$0</u>	<u>\$1,266,219</u>

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

Instruction:	
Regular	\$66,446
Special	1,718
Support Services:	
Pupil	26
Administration	820
Fiscal	266
Operation and Maintenance of Plant	10,817
Pupil Transportation	29,286
Extracurricular Activities	8,343
Food Service Operations	2,022
<b>Total Depreciation Expense</b>	<u><u>\$119,744</u></u>



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**Note 13 - 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 2012, the School District contracted with various insurance companies. Coverage is as follows:

Company	Type of Coverage	Coverage
Ohio Casualty	Building and Contents - replacement cost	\$14,948,986
	Extra Expense Coverage	1,000,000
	Inland Marine Coverage	991,006
	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	1,000,000
	Ordinance or Law	1,000,000
Ohio Casualty	Automobile Liability	1,000,000
	Uninsured Motorist	250,000
	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 14 - Defined Benefit Pension Plans**

*School Employee Retirement System*

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$82,074, \$74,500 and \$83,855 respectively. For fiscal year 2012, 89.71 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

***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 system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

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The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$260,446 and \$1,880 for the fiscal year ended June 30, 2012, \$263,359 and \$992 for the fiscal year ended June 30, 2011, and \$275,108 and \$1,320 for the fiscal year ended June 30, 2010. For fiscal year 2012, 99.29 percent has been contributed for the DB plan and 99.29 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 were \$1,147 made by the School District and \$820 made by the plan members. In addition, member contributions of \$1,343 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 15 - Post Employment Benefits**

***School Employee Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 105(e). For fiscal year 2012, 0.55 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 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$9,329 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, 2012, 2011 and 2010 were \$12,883, \$18,181 and \$12,946 respectively. For fiscal year 2012, 89.71 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 were \$4,847, \$4,794 and \$4,987 respectively. For fiscal year 2012, 89.71 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

***State Teachers Retirement System***

**Plan Description** – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$20,950, \$21,052 and \$21,537 respectively. For fiscal year 2012, 99.29 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**Note 16 – Operating Leases**

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. This is a non-cancelable lease with automatic renewal at the end of the term. A notification of at least 60 days and not more than 120 days is required to terminate the leases. The payments for fiscal years 2013 and 2014 are \$6,396 and \$1,066, respectively.

**Note 17 – Fund Obligations**

The School District's note activity, including amount outstanding and interest rate, is as follows:

	Outstanding June 30, 2011	Additions	Deletions	Outstanding June 30, 2012
2011 0.00%				
State Solvency Assistance Advance	\$2,170,000	\$0	\$1,085,000	\$1,085,000
2011 3.88%				
Tax Anticipation Notes	200,000	0	37,000	163,000
2012 2.50%				
Revenue Anticipation Notes	0	750,000	750,000	0
2012 0.00%				
State Solvency Assistance Advance	0	1,677,000	0	1,677,000
<b>Total Fund Obligations</b>	<b>\$2,370,000</b>	<b>\$2,427,000</b>	<b>\$1,872,000</b>	<b>\$2,925,000</b>

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On December 28, 2011, the School District issued \$750,000 in current revenue anticipation notes to cover current expenses. The interest rate was 2.5 percent and the notes matured on April 28, 2012. The revenue anticipation notes were paid from the State solvency assistance advance.

During fiscal year 2012, the School District received an interest free State solvency assistance advance in the amount of \$1,677,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds. In each fiscal year 2014 through 2017, the School District will pay \$419,250 to retire the solvency assistance advance.

During fiscal year 2011, 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. A liability for the note is reflected in the general fund which received the proceeds. In fiscal year 2013, the School District will pay \$1,085,000 to retire the solvency assistance advance.

On August 6, 2010, the School District issued \$200,000 in permanent improvement levy tax anticipation notes for the purpose of replacing the boiler in the elementary/middle school. The coupon interest rate is 3.88 percent and the notes mature on December 1, 2015. The tax anticipation notes will be paid from the permanent improvement capital projects fund with property tax revenues. Principal and interest payments to retire the tax anticipation notes are as follows:

	Principal	Interest	Total
2013	\$39,000	\$6,430	\$45,430
2014	40,000	4,878	44,878
2015	41,000	3,304	44,304
2016	43,000	1,692	44,692
Total	\$163,000	\$16,304	\$179,304

**Note 18 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Balance 06/30/11	Additions	Reductions	Balance 06/30/12	Amount Due in One Year
Compensated Absences	\$353,622	\$22,047	\$54,928	\$320,741	\$75,664

Compensated absences will be paid from the general fund and the food service special revenue funds.

The School District's overall legal debt margin was \$9,183,566 with an unvoted debt margin of \$102,040 at June 30, 2012.

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2012*

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**Note 19 - 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 2012, the School District paid \$22,369 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 2012, the School District paid \$34,544 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 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. Financial information can be obtained by writing the Ashtabula Joint Vocational School, 1565 State Route 167, Jefferson, Ohio 44047.

**Ledgemont Local School District**  
**Geauga County, Ohio**  
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**Note 20 – 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 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.

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

	Capital Improvements
Set Aside Reserve Balance as of June 30, 2011	\$280,407
Current Year Set-Aside Requirement	0
Qualifying Disbursements	(115,885)
Totals	\$164,522
Set-Aside Reserve Balance as of June 30, 2012 and Carried Forward to Future Fiscal Years	\$164,522

The School District, under Ohio Revised Code 3315.17 and 3315.18, elected to suspend contributions into the capital acquisitions for fiscal year 2012.

**Note 21 – Interfund Transfers and Balances**

***Interfund Transfers***

During fiscal year 2012, the School District transferred \$1,909 from the general fund to the athletics special revenue fund. The School District also transferred \$55,694 from the bond retirement fund to the permanent improvement funds. Transfers were made to move unrestricted balances to support programs and projects and debt payments accounted for in other funds.

***Interfund Balances***

	Interfund Receivable
	General
Interfund Payable	
Titel VI-B	\$10,268
Race to the Top	9,936
Career Development	741
<i>Total All Funds</i>	\$20,945

Interfund receivables and payables are due to the timing of the receipt of grant monies received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received. The advance to the title VI-B special revenue fund is not expected to be repaid within one year.

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2012*

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The advance to the race to the top and career development special revenue fund will be repaid within one year.

**Note 22 – Financial Difficulties**

On November 9, 2010, the Auditor of State declared the School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(1). 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.

During fiscal year 2011, the School District started collecting the 1.25 percent income tax approved by voters in May of 2010. The new tax was effective on January 1, 2011 and is a five year tax that will expire December 1, 2015. The new tax will not be meaningfully collected until fiscal year 2013 and beyond. The financial recovery plan was originally adopted on February 28, 2011 and includes several expenditure reductions for fiscal years 2012, 2013 and 2014.

During fiscal year 2012, the School District received an interest free State solvency assistance advance in the amount of \$1,677,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds. In each fiscal year 2014 through 2017, the School District will pay \$419,250 to retire the solvency assistance advance.

During fiscal year 2011, 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. A liability for the note is reflected in the general fund which received the proceeds. In each fiscal year 2012 and 2013, the School District will pay \$1,085,000 to retire the solvency assistance advance.

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 were repaid with the State solvency assistance advance.

**Note 23 – Subsequent Events**

During fiscal year 2013, the School District received an interest free State solvency assistance advance in the amount of \$1,114,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue.



November 8, 2013

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, 2012, and have issued our report thereon dated November 8, 2013, 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. 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 opinions 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.

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 deficiency described in the accompanying Schedule of Findings as item #2012-001 to be a material weakness.

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 *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 #2012-002 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item #2012-003.

We noted certain matters that we reported to management of the School District in a separate letter dated November 8, 2013.

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 responses and, accordingly, we express no opinion on them.

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.

*Hea & Associates, Inc.*

Medina, Ohio

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(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>
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**FINDING #2012-001  
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:** There were material audit adjustments made to the financial statements presented for audit.

**Cause:** There were two factors that resulted in the adjustments to the financial statements, each independent of the other, identified below:

Income tax receivable excluded the estimate for June 2012 collections received from the State in the second quarter of fiscal year 2013.

Accrued wages and benefits were improperly allocated to the General fund rather than the Special Education fund where the liability was actually paid during fiscal year 2013.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2012**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING #2012-001 (Continued)  
Material Weakness – Financial Reporting**

**Effect:** The first condition described above resulted in an understatement of income tax receivable, deferred revenue on the modified accrual basis, and income taxes levied for general purposes on the accrual basis in the amount \$59,892. The second condition describe above resulted in an overstatement of General fund accrued wages and benefits and special instruction expense and an understatement of Other Governmental funds accrued wages and benefits and special instruction expenses in the amount of \$20,715.

**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 third party accountants for accuracy.

**FINDING #2012-002  
Significant Deficiency – Capital Assets**

**Criteria:** A necessary step in internal control over financial reporting is to maintain and update capital asset records. A key control over the updating of capital asset records is the performance of an annual inventory.

**Condition:** We noted the School District’s capital asset records were not updated or maintained for additions or deletions. The School District has not performed an annual inventory since fiscal year 2009.

**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 2012, 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. However, the fiscal year 2009 capital asset listing has not been properly updated which resulted in immaterial variances in the calculation of depreciation expense.

**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.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2012**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING #2012-003**

**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:** 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, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Noted Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Financial Reporting	No	Reissued as finding #2012-001
2011-02	Capital Assets	No	Reissued as finding #2012-002
2011-03	Timely Deposits	No	Reissued as finding #2012-003
2011-04	Records Retention	No	Partially Corrected, reissued as a management letter comment
2011-05	Certification of Funds	No	Partially Corrected, reissued as a management letter comment



# 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  
JANUARY 2, 2014**