



Dave Yost • Auditor of State

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
JUNE 30, 2014**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ledgemont Local School District
Geauga County
c/o Berkshire Local School District
14259 Claridon-Troy Road
Burton, Ohio 44021

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ledgemont Local School District, Geauga County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, on July 1, 2015, the District merged with Berkshire Local School District. All assets and liabilities, other than the State solvency assistance advances, belong to Berkshire Local School District as of that date. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 17, 2016

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Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Ledgemont Local School District's (the School District) financial performance is presented by the School District's Treasurer and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 2014 include:

- In total, net position increased slightly, due to an increase in property and income taxes received during the year. In addition, there were no Solvency Assistance Funds advanced during the 2014 fiscal year.
- Certified and classified employees received step increases ranging from 4 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.

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

Reporting the School District as a Whole

Statement of Net Position 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 Position and the Statement of Activities provide the basis for answering these questions. The statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* 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 position* and any changes in that position. The change in net position 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

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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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 Position 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, 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 Position and the Statement of Activities) and governmental *funds* are reconciled in the financial statements of the governmental funds.

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

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Position for fiscal year 2014 compared to fiscal year 2013:

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

(Table 1)
Net Position - Governmental Activities

	2014	2013	Change
Assets			
Current and Other Assets	\$2,883,060	\$2,956,256	(\$73,196)
Capital Assets, Net	<u>1,128,901</u>	<u>1,157,249</u>	<u>(28,348)</u>
<i>Total Assets</i>	<u>4,011,961</u>	<u>4,113,505</u>	<u>(101,544)</u>
Liabilities			
Current and Other Liabilities	3,149,027	3,529,256	380,229
Long-Term Liabilities:			
Due Within One Year	19,173	17,108	(2,065)
Due in More than One Year	<u>209,286</u>	<u>213,646</u>	<u>4,360</u>
<i>Total Liabilities</i>	<u>3,377,486</u>	<u>3,760,010</u>	<u>382,524</u>
Deferred Inflows of Resources	<u>1,861,177</u>	<u>1,708,824</u>	<u>(152,353)</u>
Net Position			
Net Investment in Capital Assets	1,044,901	1,033,249	11,652
Restricted:			
Capital Projects	19,938	22,967	(3,029)
Other Purposes	44,238	47,687	(3,449)
Unrestricted (Deficit)	<u>(2,335,779)</u>	<u>(2,459,232)</u>	<u>123,453</u>
<i>Total Net Position (Deficit)</i>	<u><u>(\$1,226,702)</u></u>	<u><u>(\$1,355,329)</u></u>	<u><u>\$128,627</u></u>

The decrease in total assets was primarily due to a decrease in cash and cash equivalents as well as a decrease in capital assets for fiscal year 2014 as a result of an additional year of depreciation.

The School District had a decrease in total liabilities, with the most significant in current liabilities, due to payments made on the 2012 State Solvency Assistance Advance and 2011 Tax Anticipation Notes. The increase in deferred inflows of resources is due to an increased amount available as an advance for fiscal year 2014 as well as an increase of inside millage for fiscal year 2015 in order to increase the amount of property taxes the School District receives.

In order to further understand what makes up the changes in net position for the current year, the following table gives further details regarding the results of activities for fiscal years 2014 and 2013.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

(Table 2)
Changes in Net Position - Governmental Activities

	2014	2013	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$345,949	\$419,716	(\$73,767)
Operating Grants and Contributions	436,276	408,857	27,419
Capital Grants	92,840	3,600	89,240
<i>Total Program Revenues</i>	<u>875,065</u>	<u>832,173</u>	<u>42,892</u>
<i>General Revenues</i>			
Property Taxes	1,970,220	1,826,462	143,758
Income Taxes	1,154,969	977,948	177,021
Grant and Entitlements not Restricted to Specific Programs	2,420,209	2,427,623	(7,414)
Unrestricted Contributions and Donations	0	150	(150)
Investment Earnings	570	464	106
Miscellaneous	115,818	23,735	92,083
<i>Total General Revenues</i>	<u>5,661,786</u>	<u>5,256,382</u>	<u>405,404</u>
<i>Total Revenues</i>	<u>6,536,851</u>	<u>6,088,555</u>	<u>448,296</u>
Program Expenses			
Instruction:			
Regular	1,865,563	2,015,002	149,439
Special	840,964	1,030,980	190,016
Vocational	14,862	9,705	(5,157)
Student Intervention	997,217	541,314	(455,903)
Support Services:			
Pupil	149,029	230,414	81,385
Instructional Staff	4,505	66,889	62,384
Board of Education	121,486	96,773	(24,713)
Administration	635,879	592,514	(43,365)
Fiscal	326,641	214,684	(111,957)
Business	9,003	1,314	(7,689)
Operation and Maintenance of Plant	526,649	582,142	55,493
Pupil Transportation	574,496	429,720	(144,776)
Central	64,852	78,312	13,460
Extracurricular Activities	118,701	127,507	8,806
Operation of Food Service	136,326	168,906	32,580
Operation of Non-Instructional Services	18,159	9,151	(9,008)
Interest and Fiscal Charges	3,892	5,419	1,527
<i>Total Program Expenses</i>	<u>6,408,224</u>	<u>6,200,746</u>	<u>(207,478)</u>
<i>Change in Net Position</i>	128,627	(112,191)	240,818
<i>Net Position (Deficit) Beginning of Year</i>	<u>(1,355,329)</u>	<u>(1,243,138)</u>	<u>(112,191)</u>
<i>Net Position (Deficit) End of Year</i>	<u><u>(\$1,226,702)</u></u>	<u><u>(\$1,355,329)</u></u>	<u><u>\$128,627</u></u>

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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. The School District experienced increases in property taxes, income taxes and miscellaneous revenue. The largest increase was in income taxes, which was due to an increase in withholding collections in fiscal year 2014 compared to fiscal year 2013. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

Program expenses increased mainly due to an increase in student intervention, fiscal and pupil transportation expenses. The School District also gave raises ranging from 4 to 6 percent per negotiated agreements. These increases were offset slightly by a decrease in regular and special instruction expenses due to a reduction in force for fiscal year 2014. Management continues to work diligently to only require essential services and restricting the purchase of supplies.

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 2014 compared to fiscal year 2013.

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

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$3,718,606	\$3,071,622	\$3,597,001	\$3,015,884
Support Services:				
Pupil and Instructional Staff	153,534	153,534	297,303	297,219
Board of Education, Administration, Fiscal and Business	1,093,009	1,093,009	905,285	904,286
Operation and Maintenance of Plant	526,649	526,649	582,142	581,558
Pupil Transportation	574,496	574,496	429,720	429,720
Central	64,852	44,361	78,312	59,641
Extracurricular Activities	118,701	38,318	127,507	54,221
Operation of Food Service	136,326	26,368	168,906	11,474
Operation of Non-Instructional Services	18,159	910	9,151	9,151
Interest and Fiscal Charges	3,892	3,892	5,419	5,419
<i>Total Expenses</i>	<u>\$6,408,224</u>	<u>\$5,533,159</u>	<u>\$6,200,746</u>	<u>\$5,368,573</u>

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The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 34.80 percent and grants and entitlements account for 42.75 percent of total general revenues in fiscal year 2014. All governmental activities general revenue support is 86.61 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 \$6,452,660 and expenditures of \$6,292,931 excluding other financing sources and uses. The general fund had a slight increase in fund balance due mainly to increases in income tax and property taxes, offset by increases in personnel costs. However, the general fund's increases in revenues and decreases in expenditures for fiscal year 2014 were not enough to eliminate the deficit spending. Other governmental funds had an increase in fund balance due to a decrease in expenditures.

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 2014, the School District amended its general fund budget only a few times. There were no significant items causing these variances. The increase in final budgeted revenues from original was primarily due to increases in property taxes, income taxes and intergovernmental revenues. Final budgeted expenditures were higher than the original due to increases in instructional expenditures. Expenditures were higher than final appropriations.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2014 balances compared to fiscal year 2013. More detailed information is presented in Note 10 of the notes to the basic financial statements.

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

	Governmental Activities		
	2014	2013	Change
Land	\$119,100	\$119,100	\$0
Land Improvements	43,137	50,738	(7,601)
Buildings and Improvements	695,663	761,448	(65,785)
Furniture and Equipment	219,809	159,496	60,313
Vehicles	51,192	66,467	(15,275)
Totals	\$1,128,901	\$1,157,249	(\$28,348)

All capital assets, except land are reported net of depreciation. During the fiscal year, the School District purchased computer equipment. The net decrease in capital assets during the fiscal year resulted due to the net effect of current year additions and annual depreciation expense.

Ledgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Debt

At June 30, 2014, the School District had no bonds outstanding. The School District's long-term obligations outstanding consist of compensated absences payable of \$228,459 and \$230,754 for fiscal years 2014 and 2013, respectively. More detailed information is presented in Note 17 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. This plan was revised in April 2014 and accepted by the Commission at that time.

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 was 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 has committed itself to financial reporting excellence. Ledgemont Local School District continues its commitment to continuous improvement in financial reporting to our community. The School District was required to undergo a Performance Audit carried out by the Auditor of State during the 2014 school year. The Audit recommended changes in 22 separate areas. Of those areas noted, the School District was able to prepare a positive audit response noting that 12 of the areas had already been addressed by the time the Audit Report was issued. An additional 9 items were planned for review or in process for the 2015 school year. Overall, the School District continues to monitor the areas of Audit concern and makes changes as needed to continually upgrade their financial and management position.

Due to all of the above challenges, the School District realized that it was not feasible to continue operating in the same manner. As of July 1, 2015, the School District merged with the Berkshire Local School District.

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 Beth McCaffrey, Treasurer at Berkshire Local School District, 14259 Claridon-Troy Road, Burton, OH 44021, or beth.mccaffrey@berkshireschools.org.

Basic Financial Statements

Ledgemont Local School District

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$167,659
Intergovernmental Receivable	58,721
Inventory Held for Resale	3,150
Materials and Supplies Inventory	2,250
Property Taxes Receivable	2,169,704
Income Taxes Receivable	481,576
Nondepreciable Capital Assets	119,100
Depreciable Capital Assets	<u>1,009,801</u>
<i>Total Assets</i>	<u>4,011,961</u>
Liabilities	
Accounts Payable	61,094
Accrued Wages and Benefits	393,022
Intergovernmental Payable	219,990
Accrued Interest Payable	1,927
Matured Compensated Absences Payable	17,244
Notes Payable	2,455,750
Long-Term Liabilities:	
Due Within One Year	19,173
Due in More Than One Year	<u>209,286</u>
<i>Total Liabilities</i>	<u>3,377,486</u>
Deferred Inflows of Resources	
Property Taxes	<u>1,861,177</u>
Net Position	
Net Investment in Capital Assets	1,044,901
Restricted for:	
Capital Projects	19,938
Other Purposes	44,238
Unrestricted (Deficit)	<u>(2,335,779)</u>
<i>Total Net Position (Deficit)</i>	<u><u>(\$1,226,702)</u></u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Governmental Activities	Net Revenue/(Expense) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$1,865,563	\$207,560	\$91,400	\$89,240	(\$1,477,363)
Special	840,964	0	257,896	0	(583,068)
Vocational	14,862	10	878	0	(13,974)
Student Intervention	997,217	0	0	0	(997,217)
Support Services:					
Pupil	149,029	0	0	0	(149,029)
Instructional Staff	4,505	0	0	0	(4,505)
Board of Education	121,486	0	0	0	(121,486)
Administration	635,879	0	0	0	(635,879)
Fiscal	326,641	0	0	0	(326,641)
Business	9,003	0	0	0	(9,003)
Operation and Maintenance of Plant	526,649	0	0	0	(526,649)
Pupil Transportation	574,496	0	0	0	(574,496)
Central	64,852	0	16,891	3,600	(44,361)
Extracurricular Activities	118,701	75,871	4,512	0	(38,318)
Operation of Food Service	136,326	45,259	64,699	0	(26,368)
Operation of Non-Instructional Services	18,159	17,249	0	0	(910)
Interest and Fiscal Charges	3,892	0	0	0	(3,892)
<i>Total Governmental Activities</i>	\$6,408,224	\$345,949	\$436,276	\$92,840	(5,533,159)
General Revenues					
					1,970,220
					1,154,969
					2,420,209
					570
					115,818
					<i>Total General Revenues</i> 5,661,786
					128,627
					<i>Net Position (Deficit) Beginning of Year</i> (1,355,329)
					<i>Net Position (Deficit) End of Year</i> (\$1,226,702)

See accompanying notes to the basic financial statements

Ledgemont Local School District

Balance Sheet

Governmental Funds

June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$0	\$72,258	\$72,258
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	95,401	0	95,401
Intergovernmental Receivable	47,136	11,585	58,721
Interfund Receivable	13,448	0	13,448
Inventory Held for Resale	0	3,150	3,150
Materials and Supplies Inventory	1,476	774	2,250
Property Taxes Receivable	1,962,640	207,064	2,169,704
Income Taxes Receivable	481,576	0	481,576
<i>Total Assets</i>	<u>\$2,601,677</u>	<u>\$294,831</u>	<u>\$2,896,508</u>
Liabilities			
Accounts Payable	\$60,130	\$964	\$61,094
Accrued Wages and Benefits	380,649	12,373	393,022
Interfund Payable	0	13,448	13,448
Intergovernmental Payable	212,675	7,315	219,990
Matured Compensated Absences Payable	12,655	4,589	17,244
Accrued Interest Payable	0	1,927	1,927
Notes Payable	2,371,750	84,000	2,455,750
<i>Total Liabilities</i>	<u>3,037,859</u>	<u>124,616</u>	<u>3,162,475</u>
Deferred Inflows of Resources			
Property Taxes	1,654,113	207,064	1,861,177
Unavailable Revenue	157,923	0	157,923
<i>Total Deferred Inflows of Resources</i>	<u>1,812,036</u>	<u>207,064</u>	<u>2,019,100</u>
Fund Balances			
Nonspendable	11,744	774	12,518
Restricted	0	44,238	44,238
Committed	0	4,964	4,964
Assigned	11,011	0	11,011
Unassigned (Deficit)	(2,270,973)	(86,825)	(2,357,798)
<i>Total Fund Deficit</i>	<u>(2,248,218)</u>	<u>(36,849)</u>	<u>(2,285,067)</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$2,601,677</u>	<u>\$294,831</u>	<u>\$2,896,508</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Deficit	(\$2,285,067)
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,128,901
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	\$96,627
Income Taxes	<u>61,296</u>
 Total	 157,923
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>(228,459)</u>
 <i>Net Position (Deficit) of Governmental Activities</i>	 <u><u>(\$1,226,702)</u></u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,985,985	\$0	\$1,985,985
Income Taxes	1,144,253	0	1,144,253
Intergovernmental	2,538,007	316,330	2,854,337
Interest	570	0	570
Tuition and Fees	185,605	0	185,605
Extracurricular Activities	14,633	75,758	90,391
Contributions and Donations	1,236	4,512	5,748
Charges for Services	7,345	62,508	69,853
Rentals	100	0	100
Miscellaneous	115,818	0	115,818
<i>Total Revenues</i>	<u>5,993,552</u>	<u>459,108</u>	<u>6,452,660</u>
Expenditures			
Current:			
Instruction:			
Regular	1,724,656	73,505	1,798,161
Special	742,103	86,892	828,995
Vocational	14,152	710	14,862
Student Intervention	997,217	0	997,217
Support Services:			
Pupil	157,299	0	157,299
Instructional Staff	3,943	0	3,943
Board of Education	121,486	0	121,486
Administration	622,839	6,762	629,601
Fiscal	325,561	3,276	328,837
Business	9,003	0	9,003
Operation and Maintenance of Plant	513,614	4,939	518,553
Pupil Transportation	550,475	0	550,475
Central	44,782	20,331	65,113
Extracurricular Activities	18,886	91,472	110,358
Operation of Food Service	0	136,958	136,958
Operation of Non-Instructional Services	6,051	12,108	18,159
Capital Outlay	19	0	19
Debt Service:			
Interest and Fiscal Charges	0	3,892	3,892
<i>Total Expenditures</i>	<u>5,852,086</u>	<u>440,845</u>	<u>6,292,931</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>141,466</u>	<u>18,263</u>	<u>159,729</u>
Other Financing Sources (Uses)			
Transfers In	0	70,811	70,811
Transfers Out	(70,811)	0	(70,811)
<i>Total Other Financing Sources (Uses)</i>	<u>(70,811)</u>	<u>70,811</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	70,655	89,074	159,729
<i>Fund Deficit Beginning of Year</i>	<u>(2,318,873)</u>	<u>(125,923)</u>	<u>(2,444,796)</u>
<i>Fund Deficit End of Year</i>	<u><u>(\$2,248,218)</u></u>	<u><u>(\$36,849)</u></u>	<u><u>(\$2,285,067)</u></u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds \$159,729

*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 Asset Additions	
Capital Outlay	\$9,960
Capital Contributions	89,240
Current Year Depreciation	<u>(127,548)</u>
Total	(28,348)

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

Delinquent Property Taxes	(15,765)
Income Taxes	<u>10,716</u>
Total	(5,049)

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. 2,295

Change in Net Position of Governmental Activities \$128,627

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,872,769	\$1,872,769	\$1,938,030	\$65,261
Income Taxes	1,040,171	1,092,464	1,108,996	16,532
Intergovernmental	2,340,065	2,457,709	2,494,898	37,189
Interest	535	562	570	8
Tuition and Fees	174,086	182,838	185,605	2,767
Rentals	94	99	100	1
Miscellaneous	109,075	114,559	116,292	1,733
<i>Total Revenues</i>	<u>5,536,795</u>	<u>5,721,000</u>	<u>5,844,491</u>	<u>123,491</u>
Expenditures				
Current:				
Instruction:				
Regular	1,615,250	1,666,918	1,694,843	(27,925)
Special	649,022	669,784	761,835	(92,051)
Vocational	17,185	17,735	17,841	(106)
Student Intervention	960,568	991,296	997,217	(5,921)
Support Services:				
Pupil	125,099	129,101	167,538	(38,437)
Instructional Staff	8,639	8,916	8,969	(53)
Board of Education	98,466	101,616	119,765	(18,149)
Administration	599,739	618,924	627,629	(8,705)
Fiscal	313,659	323,692	328,703	(5,011)
Business	9,938	10,256	10,317	(61)
Operation and Maintenance of Plant	493,058	508,831	528,554	(19,723)
Pupil Transportation	516,385	532,904	536,535	(3,631)
Central	43,727	45,125	45,395	(270)
Extracurricular Activities	17,281	17,834	17,964	(130)
Operation of Non-Instructional Services	553	571	574	(3)
Capital Outlay	18	19	19	0
Debt Service:				
Principal Retirement	459,250	459,250	459,250	0
Interest and Fiscal Charges	4,811	4,811	4,811	0
<i>Total Expenditures</i>	<u>5,932,648</u>	<u>6,107,583</u>	<u>6,327,759</u>	<u>(220,176)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(395,853)</u>	<u>(386,583)</u>	<u>(483,268)</u>	<u>(96,685)</u>
Other Financing Sources (Uses)				
Advances In	0	10,000	0	(10,000)
Advances Out	0	0	(3,180)	(3,180)
Transfers Out	(20,730)	(40,000)	(26,000)	14,000
<i>Total Other Financing Sources (Uses)</i>	<u>(20,730)</u>	<u>(30,000)</u>	<u>(29,180)</u>	<u>820</u>
<i>Net Change in Fund Balance</i>	<u>(416,583)</u>	<u>(416,583)</u>	<u>(512,448)</u>	<u>(95,865)</u>
<i>Fund Balance Beginning of Year</i>	402,346	402,346	402,346	0
Prior Year Encumbrances Appropriated	7,120	7,120	7,120	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$7,117)</u>	<u>(\$7,117)</u>	<u>(\$102,982)</u>	<u>(\$95,865)</u>

See accompanying notes to the basic financial statements

Ledgemont Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Private Purpose Trust	
	<u>Frances Leighton</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$58,202	\$40,589
Liabilities		
Undistributed Monies	0	\$15,806
Due to Students	0	24,783
<i>Total Liabilities</i>	0	\$40,589
Net Position		
Held in Trust for Scholarships	\$58,202	

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	<u>Frances Leighton</u>
Additions	
Contributions and Donations	\$5,300
Deductions	
Scholarships Awarded	<u>4,251</u>
<i>Change in Net Position</i>	1,049
<i>Net Position Beginning of Year</i>	<u>57,153</u>
<i>Net Position End of Year</i>	<u><u>\$58,202</u></u>

See accompanying notes to the basic financial statements

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

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 425 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 initial 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 2014. See Note 20 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. 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 18 to the basic financial statements.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

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 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 position 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 position 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 position 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
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

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 position and changes in net position. 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, Pell Grants and donations for library renovations.

Measurement Focus

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 outflows/inflows of resources, 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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the 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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and income taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

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

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

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 2014 amounted to \$570 which includes \$246 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. Restricted assets in the general fund include unspent resources restricted for the acquisition or construction of capital assets. See Note 21 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 position but are not reported in the fund financial statements.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five 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 position.

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
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

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, 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. 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. It also includes the long-term amount of interfund loans.

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.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

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 Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for athletic programs and Federal grant programs.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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 – 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:

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>			
Inventory	\$1,476	\$774	\$2,250
Interfund Loan	10,268	0	10,268
<i>Total Nonspendable</i>	<u>11,744</u>	<u>774</u>	<u>12,518</u>
<i>Restricted for</i>			
Career Development	0	111	111
Athletics	0	27,739	27,739
Classroom Facilities Maintenance	0	5,554	5,554
Regular Instruction	0	10,834	10,834
<i>Total Restricted</i>	<u>0</u>	<u>44,238</u>	<u>44,238</u>
<i>Committed to</i>			
Other Purposes	0	4,964	4,964
<i>Assigned to</i>			
Public School Support	11,011	0	11,011
<i>Unassigned (Deficit)</i>	<u>(2,270,973)</u>	<u>(86,825)</u>	<u>(2,357,798)</u>
<i>Total Fund Balances (Deficit)</i>	<u><u>(\$2,248,218)</u></u>	<u><u>(\$36,849)</u></u>	<u><u>(\$2,285,067)</u></u>

Note 4 – Accountability and Compliance

Accountability

At June 30, 2014, the following funds have deficit fund balances:

General Fund	\$2,248,218
Special Revenue Funds:	
Food Service	7,906
Title VI-B	14,857
Capital Projects Fund:	
Permanent Improvement	64,062

The general fund concluded fiscal year 2014 with a deficit fund balance of \$2,248,218. 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 20 for further information.

The special revenue 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.

The permanent improvement capital projects fund's deficit is the result of the issuance of short-term tax anticipation notes which are used to finance projects until taxes are received. Once the notes are retired or taxes are fully received, this deficit will be eliminated.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

Compliance

Contrary to Ohio Revised Code Section 5705.36(A)(4), the general fund had available resources that were less than the actual expenditures plus encumbrances, in the amount of \$102,982.

Contrary to Ohio Revised Code Section 5705.41 (B) and (D), the general fund had expenditures plus encumbrances in excess of appropriations in the amount of \$220,176.

Contrary to Ohio Revised Code Section 5705.39, the general fund has original and final appropriations in excess of estimated resources as reported on the Official Certificate of Estimated Resources at June 30, 2014, in the amount of \$7,117.

The School District does not record encumbrances during the fiscal year contrary to Ohio Revised Code Section 5705.41(D)(1).

Although these budgetary violations were not corrected by year end, the above final citations are a result of management failing to submit its approved appropriation realignments to the County Auditor. In future periods, management will ensure that appropriations will be closely monitored to prevent future violations.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the 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. Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of public school support are classified to general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Ledgemont Local School District
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For the Fiscal Year Ending June 30, 2014

Net Change in Fund Balance	
GAAP Basis	\$70,655
Net Adjustment for Revenue Accruals	(171,801)
Net Adjustment for Expenditure Accruals	237,581
Principal Retirement	(459,250)
Advances Out	(3,180)
Perspective Difference:	
Public School Support	120
Adjustment for Encumbrances	(186,573)
Budget Basis	<u>(\$512,448)</u>

Note 6 - Deposits and Investments

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

Active deposits are public monies determined to be necessary to meet current demands upon 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 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 held by the School District can 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 any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$94,578 of the School District's bank balance of \$420,562 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 – Receivables

Receivables at June 30, 2014, 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
Catastrophic Reimbursement	\$43,109
Title I Grant	7,628
School Employees Retirement System	5,079
Title VI-B Grant	2,905
Total Intergovernmental Receivables	\$58,721

Ledgemont Local School District
Notes to the Basic Financial Statements
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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 property and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property 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 revenues received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 become a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Geauga and Ashtabula Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. In governmental funds, the portion of the receivable not levied to finance fiscal year 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual bases the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2014 was \$211,900 in the general fund. The amount available as an advance at June 30, 2013, was \$163,945 in the general fund.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$99,048,010	97.08 %	\$99,283,850	96.82 %
Public Utility	2,979,510	2.92	3,265,090	3.18
	<u>\$102,027,520</u>	<u>100.00 %</u>	<u>\$102,548,940</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$51.20		\$51.20	

Ledgemont Local School District
Notes to the Basic Financial Statements
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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 starting in 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 8 - Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn 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.

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 \$614 for single and \$1,687 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 \$5.50 per month. All premiums are paid by the School District.

Note 9 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

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 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Governmental Activities				
<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	4,818,694	0	0	4,818,694
Furniture and Equipment	1,035,959	99,200	0	1,135,159
Vehicles	368,440	0	0	368,440
<i>Total Capital Assets, being depreciated</i>	6,798,364	99,200	0	6,897,564
Less Accumulated Depreciation:				
Land Improvements	(524,533)	(7,601)	0	(532,134)
Buildings and Improvements	(4,057,246)	(65,785)	0	(4,123,031)
Furniture and Equipment	(876,463)	(38,887)	0	(915,350)
Vehicles	(301,973)	(15,275)	0	(317,248)
<i>Total Accumulation Depreciation</i>	(5,760,215)	(127,548)	0	(5,887,763)
<i>Total Capital Assets being depreciated, Net</i>	1,038,149	(28,348)	0	1,009,801
<i>Governmental Activities Capital Assets, Net</i>	\$1,157,249	(\$28,348)	\$0	\$1,128,901

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$72,386
Special	2,465
Support Services:	
Pupil	26
Administration	820
Fiscal	266
Operation and Maintenance of Plant	10,926
Pupil Transportation	30,294
Extracurricular Activities	8,343
Food Service Operations	2,022
Total Depreciation Expense	\$127,548

The School District received chrome books valued at \$89,240. The School District has recorded this as a capital contribution.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2014, 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	2,000,000
	Aggregate	2,000,000

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

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

Note 12 – 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	\$186,573
Other Governmental Funds	3,984
Total	<u>\$190,557</u>

Ledgemont Local School District
Notes to the Basic Financial Statements
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Note 13 - Defined Benefit Pension Plans

School Employees 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 under Employers/Audit Resources.

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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 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, 2014, 2013 and 2012 were \$57,240, \$74,227, and \$82,074, respectively; 87.74 percent has been contributed for fiscal year 2014, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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.

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

Ledgemont Local School District
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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 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$207,797 and \$199,554 for the fiscal year ended June 30, 2014, \$230,562 and \$436 for the fiscal year ended June 30, 2013, and \$260,446 and \$1,880 for the fiscal year ended June 30, 2012. For fiscal year 2014, 80.58 percent has been contributed for the DB plan and 80.58 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 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$7,953 made by the School District and \$6,249 made by the plan members. In addition, member contributions of \$7,214 were made for fiscal year 2014 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, 2014, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - 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 administrated 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 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

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Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 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 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$12,214 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, 2014, 2013 and 2012 were \$12,826, \$15,499 and \$12,883 respectively. For fiscal year 2012, 87.74 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$3,321, \$4,383 and \$4,847 respectively. For fiscal year 2014, 87.74 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 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 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$15,984, \$17,736 and \$20,950 respectively. For fiscal year 2014, 80.58 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care effective July 1, 2014.

Note 15 – 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 School District made the final payment during fiscal year 2014 and did not renew the lease.

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Notes to the Basic Financial Statements
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Note 16 – Fund Obligations

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

	Outstanding June 30, 2013	Additions	Deletions	Outstanding June 30, 2014
State Solvency Assistance Advances				
2012	\$1,677,000	\$0	\$419,250	\$1,257,750
2013	1,114,000	0	0	1,114,000
<i>Total State Solvency Assistance Advances</i>	2,791,000	0	419,250	2,371,750
2011 3.88%				
Tax Anticipation Notes	124,000	0	40,000	84,000
Total Fund Obligations	\$2,915,000	\$0	\$459,250	\$2,455,750

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 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. A liability for the note is reflected in the general fund which received the proceeds.

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
2015	\$41,000	\$3,304	\$44,304
2016	43,000	1,692	44,692
Total	\$84,000	\$4,996	\$88,996

Note 17 - Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2014 were as follows:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14	Amount Due in One Year
Compensated Absences	\$230,754	\$14,813	\$17,108	\$228,459	\$19,173

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

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 \$9,229,405 with an unvoted debt margin of \$102,549 at June 30, 2014.

Note 18 - Jointly Governed Organizations

Lake Geauga Computer Association The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2014, the School District paid \$32,478 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 2014, the School District paid \$2,199 to the Ohio Schools' Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools' Council at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program. The Council provides 151 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
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

Note 19 – Interfund Transfers and Balances

Interfund Transfers

During fiscal year 2014, the School District transferred \$26,000 from the general fund to the food service special revenue fund to provide additional support for the lunchroom. The general fund also transferred \$44,811 to the permanent improvement fund to cover debt payments.

Interfund Balances

	Interfund Receivable
Interfund Payable	General
Title VI-B	\$13,173
Title I	275
<i>Total All Funds</i>	\$13,448

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 in the amount of \$10,268, is not expected to be repaid within one year.

Note 20 – 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 updated on June 22, 2012 and again in April, 2014. The plan includes several expenditure reductions including the closing of the high school, outsourcing their technology department and busing and changing their health care benefits.

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 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. A liability for the note is reflected in the general fund which received the proceeds. On June 19, 2013, the fiscal commission voted to extend the fiscal year 2013 advance from two years to four years. This will not go into effect until the Ohio Department of Education has approved the extension. As of June 30, 2014, no payments have been deducted from the school foundation revenue and there is not a repayment schedule to retire the solvency assistance advance at the time of this report.

Ledgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ending June 30, 2014

The \$1,677,000 advance will be repaid over four years, from State foundation revenues, beginning in fiscal year 2014.

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 21 – 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.

	<u>Capital Improvements</u>
Set Aside Balance as of June 30, 2013	\$163,827
Current Year Set-Aside Requirement	0
Qualifying Disbursements	<u>(348)</u>
Totals	<u>\$163,479</u>
Set-Aside Balance as of June 30, 2014 and Carried Forward to Future Fiscal Years	<u>\$163,479</u>

The School District, under Ohio Revised Code 3315.17 and 3315.18, elected to suspend contributions into the capital acquisitions for fiscal year 2014.

Note 22 – Subsequent Event

On July 1, 2015, the School District merged with the Berkshire Local School District. All assets and liabilities, other than the State solvency assistance advances, belong to Berkshire Local School District as of that date. Due to the merger, the State will not require repayment of the solvency assistance advances.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Ledgemont Local School District
Geauga County
c/o Berkshire Local School District
14259 Claridon-Troy Road
Burton, Ohio 44021

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ledgemont Local School District, Geauga County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 17, 2016, wherein we noted the District merged with Berkshire Local School District and all assets and liabilities, other than State solvency assistance advances, belong to Berkshire Local School District as of July 1, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2014-001 and 2014-002 to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 17, 2016

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Capital Assets and Inventory

<i>Finding Number</i>	2014-001
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SIGNIFICANT DEFICIENCY

Ohio Admin. Code §117-2-02 (A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. As management is responsible for accounting and financial reporting, a necessary step in internal control over financial reporting is to maintain and update capital asset records. A key control over updating capital assets, as well as non-capitalized inventory, would be the performance of an annual inventory.

The District does not maintain an inventory / asset listing and did not maintain records for asset additions or deletions since the last third party appraisal report was produced in FY 2009. The District again determined it was not cost effective to perform an annual inventory as additions and deletions of capital assets were deemed immaterial and their financial statement preparer had included significant additions when compiling their report.

While capital asset financial statement amounts and disclosures were not materially misstated, there were immaterial errors in capital assets and depreciation expense due to the failure to update and maintain a capital asset / inventory listing. This could also result in misappropriation of assets and other errors and irregularities going undetected.

Management should maintain an accurate and up to date capital asset / inventory listing.

2. Financial Accounting and Cash Reconciliation Procedures

<i>Finding Number</i>	2014-002
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SIGNIFICANT DEFICIENCY

Internal control over financial reporting is the responsibility of District management and includes accurate financial reporting, adequate monitoring, and timely and accurate reconciliation procedures. The following deficiencies were noted:

- Reconciliations between the District's bank accounts and accounting records were not accurately and timely performed as evidenced by unadjusted variances at month end. Adjustments were not addressed in a timely manner, further complicating the reconciliation process with undetected errors from prior reconciliation efforts.
- Income tax receipts were incorrectly posted to the accounting ledgers as refunds were posted against gross receipts rather than a memo expenditure. This resulted in immaterial understatement of income tax receipts of \$30,731.

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014 (Continued)**

- While there was no indication of improper disbursements, several expenditures were paid without original invoices or other supporting documentation that would clearly support the proper nature of the expenditure.

- In Fiscal Year 2015, the Treasurer received Race to the top (RTTT) grant revenues of \$6,300.47 as carryover grant monies from FY14. In June 2014, ODE contacted the Treasurer to notify her that the FY 13 Final Expenditure Report (FER) was overspent in object codes 200 and 400 totaling \$5,855.56 and instructed her to reduce the object codes with a reduction of a prior year expenditure and amend her FER for FY13. The Treasurer instead posted \$5,855.36 to Special Cost Center 2014 Grant's receipts and offset it posting expenditures to the general fund. The entry should not have posted receipts but posted a reduction of expenditure to the grant. Also in FY15, the Treasurer redeemed 2 outstanding checks, one for \$3,980 and the other for \$34.47, that never actually cleared the bank but were recorded as such. These checks have been deposited back into FY14 and FY13 respectively. As a result of completing the FY14 FER for FY15 activity, ODE requested BUDLED's supporting the expenditures that were entered for FER 14 and FER 15. It was discovered that the FER entered for FY14 was understated by \$9,713. ODE requested the new Treasurer re-submit a corrected FER. As a result, the allocation available for FY15 was reduced by \$9,713. The deficiencies resulted in inaccurate General Fund and RTTT fund activity and balances which were corrected subsequent to the audit period by the new Treasurer in the merged Berkshire records and financial statements.

These deficiencies resulted in immaterial unadjusted errors throughout the financial accounting and reporting process and could lead to other errors and irregularities not detected.

As Ledgemont Local School District has now merged with Berkshire Local School District, the District should ensure accounting and reconciliation deficiencies are corrected in the combined accounting records and financial reports.

Official's Response: We did not receive a response from Officials to the findings reported above.

**LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material Weakness – Financial Reporting: Material audit adjustments required to financial statements.	Yes	
2013-002	Significant Deficiency – Capital Assets: District did not update capital asset records.	Not Corrected.	Finding repeated.
2013-003	Noncompliance – Timely Deposits: Deposits not made in accordance with ORC 9.38.	Yes	
2013-004	Noncompliance – Expenditures in Excess of Appropriations.	No	Disclosed in notes and moved to management letter.

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LEDGEMONT LOCAL SCHOOL DISTRICT

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 1, 2016**