

Ledgemont Local School District  
Geauga County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2013





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's* Report of the Ledgemont Local School District, Geauga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 20, 2013

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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November 8, 2013

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

## **Independent Auditor's Report**

### **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 the Ledgesmont Local School District, Geauga County, Ohio, (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Ledgemont Local School District, Geauga County, Ohio, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As described in Note 21, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316 of the Ohio Rev. Code. Note 21 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 School District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Medina, Ohio



**Ledgemont Local School District**  
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*Management's Discussion and Analysis*  
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*Unaudited*

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The discussion and analysis of Ledgemont Local School District's (the School District) financial performance is presented by the School District's Treasurer and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 include:

- In total, net position decreased slightly, due to stabilization of expenditures and offsetting changes in asset and liability accounts. The School District received a State Solvency Assistance Fund Advance during fiscal year 2013, which was offset by a payment on the 2011 advance.
- Certified and classified employees received step increases ranging from 1 percent to 6 percent at the beginning of the fiscal year as per their negotiated contracts. These increases were offset by the retirement and reduction of a few employees.

### **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.

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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 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 2013 compared to fiscal year 2012:

**Ledgemont Local School District**  
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**(Table 1)**  
**Net Position - Governmental Activities**

	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$2,956,256	\$2,972,429	(\$16,173)
Capital Assets, Net	1,157,249	1,266,219	(108,970)
<i>Total Assets</i>	<u>4,113,505</u>	<u>4,238,648</u>	<u>(125,143)</u>
<b>Liabilities</b>			
Current and Other Liabilities	3,529,256	3,535,061	(5,805)
Long-Term Liabilities:			
Due Within One Year	17,108	75,664	(58,556)
Due in More than One Year	213,646	245,077	(31,431)
<i>Total Liabilities</i>	<u>3,760,010</u>	<u>3,855,802</u>	<u>(95,792)</u>
<b>Deferred Inflows of Resources</b>	<u>1,708,824</u>	<u>1,625,984</u>	<u>82,840</u>
<b>Net Position</b>			
Net Invested in Capital Assets	1,033,249	1,103,219	(69,970)
Restricted:			
Capital Projects	22,967	22,757	210
Debt Service	0	7,976	(7,976)
Other Purposes	47,687	44,349	3,338
Unrestricted (Deficit)	<u>(2,459,232)</u>	<u>(2,421,439)</u>	<u>(37,793)</u>
<i>Total Net Position (Deficit)</i>	<u><u>(\$1,355,329)</u></u>	<u><u>(\$1,243,138)</u></u>	<u><u>(\$112,191)</u></u>

The decrease in total assets was primarily due to a decrease in capital assets for fiscal year 2013 as a result of an additional year of depreciation.

The School District had a decrease in total liabilities, with the most significant in long term liabilities, due to more retirements in fiscal year 2013. The increase in deferred inflows of resources is due to a reduced amount available as an advance for fiscal year 2013.

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 2013 and 2012.

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

	2013	2012	Change
<b>Revenues</b>			
<i>Program Revenues</i>			
Charges for Services and Sales	\$419,716	\$375,477	\$44,239
Operating Grants and Contributions	408,857	412,224	(3,367)
Capital Grants	3,600	7,100	(3,500)
<i>Total Program Revenues</i>	<u>832,173</u>	<u>794,801</u>	<u>37,372</u>
<i>General Revenues</i>			
Property Taxes	1,826,462	1,802,589	23,873
Income Taxes	977,948	910,932	67,016
Grant and Entitlements not Restricted to Specific Programs	2,427,623	2,468,414	(40,791)
Unrestricted Contributions and Donations	150	0	150
Investment Earnings	464	2,368	(1,904)
Miscellaneous	23,735	2,369	21,366
<i>Total General Revenues</i>	<u>5,256,382</u>	<u>5,186,672</u>	<u>69,710</u>
<i>Total Revenues</i>	<u>6,088,555</u>	<u>5,981,473</u>	<u>107,082</u>
<b>Program Expenses</b>			
Instruction:			
Regular	2,015,002	2,436,670	(421,668)
Special	1,030,980	936,800	94,180
Vocational	9,705	94,036	(84,331)
Student Intervention	541,314	638,155	(96,841)
Support Services:			
Pupil	230,414	157,508	72,906
Instructional Staff	66,889	76,440	(9,551)
Board of Education	96,773	18,258	78,515
Administration	592,514	526,615	65,899
Fiscal	214,684	230,140	(15,456)
Business	1,314	0	1,314
Operation and Maintenance of Plant	582,142	724,823	(142,681)
Pupil Transportation	429,720	528,149	(98,429)
Central	78,312	23,383	54,929
Extracurricular Activities	127,507	132,644	(5,137)
Operation of Food Service	168,906	188,547	(19,641)
Operation of Non-Instructional Services	9,151	2,799	6,352
Interest and Fiscal Charges	5,419	13,379	(7,960)
<i>Total Program Expenses</i>	<u>6,200,746</u>	<u>6,728,346</u>	<u>(527,600)</u>
<i>Decrease in Net Position</i>	(112,191)	(746,873)	634,682
<i>Net Position (Deficit) Beginning of Year</i>	<u>(1,243,138)</u>	<u>(496,265)</u>	<u>(746,873)</u>
<i>Net Position (Deficit) End of Year</i>	<u>(\$1,355,329)</u>	<u>(\$1,243,138)</u>	<u>(\$112,191)</u>

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Management's Discussion and Analysis*  
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***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 charges for services, 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 2013 compared to fiscal year 2012. The increases were partly offset by decreases in operating and capital grants, as well as grants and entitlements. These decreases are all the result of State budget cuts. The increase in total revenues outpaced expenses during fiscal year 2013. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

Program expenses decreased due to the School District only requiring essential services and restricting the purchase of supplies during fiscal year 2013. This decrease was partly offset by employees receiving step increases as well as an increase in health care insurance premiums.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2013 compared to fiscal year 2012.

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

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$3,597,001	\$3,015,884	\$4,105,661	\$3,624,842
Support Services:				
Pupil and Instructional Staff	297,303	297,219	233,948	230,370
Board of Education, Administration, Fiscal and Business	905,285	904,286	775,013	726,308
Operation and Maintenance of Plant	582,142	581,558	724,823	714,826
Pupil Transportation	429,720	429,720	528,149	516,980
Central	78,312	59,641	23,383	15,546
Extracurricular Activities	127,507	54,221	132,644	89,045
Operation of Food Service	168,906	11,474	188,547	(550)
Operation of Non-Instructional Services	9,151	9,151	2,799	2,799
Interest and Fiscal Charges	5,419	5,419	13,379	13,379
<i>Total Expenses</i>	<u>\$6,200,746</u>	<u>\$5,368,573</u>	<u>\$6,728,346</u>	<u>\$5,933,545</u>

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

*Management's Discussion and Analysis*  
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The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 34.66 percent and grants and entitlements account for fiscal year 46.33 percent of total general revenues in fiscal year 2013. These percentages are different from fiscal year 2012 due to the decrease in delinquent property tax collections and increase in income tax collections. All governmental activities general revenue support is 86.36 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 \$6,126,064 and expenditures of \$6,181,763 excluding other financing sources and uses. The general fund had a minimal decrease in fund balance due mainly to revenues increasing at a smaller rate than expenditures decreasing. The general fund's increases in revenues and decreases in expenditures for fiscal year 2013 were not enough to eliminate the deficit spending. Other governmental funds had a decrease in fund balance due to a decrease of grant monies from the conclusion of federal award programs.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2013, 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 and debt service expenditures. Expenditures were higher than final appropriations. The School District's ending unencumbered cash balance was positive at the end of the fiscal year due to the receipt of the Solvency Assistance Fund Advance.

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 shows fiscal year 2013 balances compared to fiscal year 2012. More detailed information is presented in Note 12 of the notes to the basic financial statements.

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

	Governmental Activities		
	2013	2012	Change
Land	\$119,100	\$119,100	\$0
Land Improvements	50,738	58,339	(7,601)
Buildings and Improvements	761,448	827,233	(65,785)
Furniture and Equipment	159,496	179,805	(20,309)
Vehicles	66,467	81,742	(15,275)
Totals	\$1,157,249	\$1,266,219	(\$108,970)

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.

***Debt***

At June 30, 2013, the School District had no bonds outstanding. The School District's long-term obligations outstanding consist of compensated absences payable of \$230,754 and \$320,741 for fiscal years 2013 and 2012, respectively. More detailed information is presented in Note 18 of the notes to the basic financial statements.

**Challenges and Opportunities for the Future**

On November 9, 2010, the School District was declared by the Auditor of State to be in a state of "fiscal emergency" based on an anticipated deficit for fiscal year end 2011. A five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. With the assistance of the Financial Planning and Supervision Commission, the School District was able to put in place a recovery plan on February 28, 2011.

Many factors have contributed to the School District's financial condition. The School District's income tax levy expired at the end of calendar year 2008 causing a significant decline in income tax revenue. The Board of Education placed a levy on the ballot in both May and November of 2009 to replace the levy but was declined by votes on both occasions. The Board of Education returned to the voters in May of 2010 and placed a five year, 1.25 percent income tax levy on the ballot which was approved by voters. The new levy became effective on January 1, 2011 and 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 will continue to provide the best education it can to the community's most important asset. It will be a responsible and conservative custodian of the public's monies. The School District will continue to work within the confines of the budget it has set forth. Working in conjunction with the State of

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Ohio Department of Taxation, the School District will vigorously pursue the collection of back taxes owed from the School District's income tax.

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

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

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



**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Statement of Net Position*  
*June 30, 2013*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$478,109
Intergovernmental Receivable	52,451
Inventory Held for Resale	3,692
Materials and Supplies Inventory	1,240
Property Taxes Receivable	1,985,161
Income Taxes Receivable	435,603
Nondepreciable Capital Assets	119,100
Depreciable Capital Assets	1,038,149
<i>Total Assets</i>	<i>4,113,505</i>
<b>Liabilities</b>	
Accounts Payable	37,530
Accrued Wages and Benefits	368,958
Intergovernmental Payable	100,030
Accrued Interest Payable	2,846
Matured Compensated Absences Payable	104,892
Notes Payable	2,915,000
Long-Term Liabilities:	
Due Within One Year	17,108
Due in More Than One Year	213,646
<i>Total Liabilities</i>	<i>3,760,010</i>
<b>Deferred Inflows of Resources</b>	
Property Taxes	1,708,824
<b>Net Position</b>	
Net Investment in Capital Assets	1,033,249
Restricted for:	
Capital Projects	22,967
Other Purposes	47,687
Unrestricted (Deficit)	(2,459,232)
<i>Total Net Position (Deficit)</i>	<i>(\$1,355,329)</i>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Capital Grants	Net Revenue/(Expense) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$2,015,002	\$286,655	\$42,321	\$0	(\$1,686,026)
Special	1,030,980	0	251,606	0	(779,374)
Vocational	9,705	0	535	0	(9,170)
Student Intervention	541,314	0	0	0	(541,314)
Support Services:					
Pupil	230,414	0	84	0	(230,330)
Instructional Staff	66,889	0	0	0	(66,889)
Board of Education	96,773	0	0	0	(96,773)
Administration	592,514	0	910	0	(591,604)
Fiscal	214,684	0	89	0	(214,595)
Business	1,314	0	0	0	(1,314)
Operation and Maintenance of Plant	582,142	0	584	0	(581,558)
Pupil Transportation	429,720	0	0	0	(429,720)
Central	78,312	0	15,071	3,600	(59,641)
Extracurricular Activities	127,507	66,916	6,370	0	(54,221)
Operation of Food Service	168,906	66,145	91,287	0	(11,474)
Operation of Non-Instructional Services	9,151	0	0	0	(9,151)
Interest and Fiscal Charges	5,419	0	0	0	(5,419)
<i>Total Governmental Activities</i>	<u>\$6,200,746</u>	<u>\$419,716</u>	<u>\$408,857</u>	<u>\$3,600</u>	<u>(5,368,573)</u>
<b>General Revenues</b>					
Property Taxes Levied for General Purposes					1,826,462
Income Taxes Levied for General Purposes					977,948
Grants and Entitlements not Restricted to Specific Programs					2,427,623
Unrestricted Contributions and Donations					150
Investment Earnings					464
Miscellaneous					23,735
<i>Total General Revenues</i>					<u>5,256,382</u>
Change in Net Position					(112,191)
<i>Net Position (Deficit) Beginning of Year</i>					<u>(1,243,138)</u>
<i>Net Position (Deficit) End of Year</i>					<u><u>(\$1,355,329)</u></u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$230,487	\$83,795	\$314,282
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	163,827	0	163,827
Intergovernmental Receivable	0	52,451	52,451
Interfund Receivable	37,110	0	37,110
Inventory Held for Resale	0	3,692	3,692
Materials and Supplies Inventory	679	561	1,240
Property Taxes Receivable	1,985,161	0	1,985,161
Income Taxes Receivable	435,603	0	435,603
<i>Total Assets</i>	<u>\$2,852,867</u>	<u>\$140,499</u>	<u>\$2,993,366</u>
<b>Liabilities</b>			
Accounts Payable	\$32,683	\$4,847	\$37,530
Accrued Wages and Benefits	329,676	39,282	368,958
Interfund Payable	0	37,110	37,110
Intergovernmental Payable	92,515	7,515	100,030
Matured Compensated Absences Payable	54,070	50,822	104,892
Accrued Interest Payable	0	2,846	2,846
Notes Payable	2,791,000	124,000	2,915,000
<i>Total Liabilities</i>	<u>3,299,944</u>	<u>266,422</u>	<u>3,566,366</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,708,824	0	1,708,824
Unavailable Revenue	162,972	0	162,972
<i>Total Deferred Inflows of Resources</i>	<u>1,871,796</u>	<u>0</u>	<u>1,871,796</u>
<b>Fund Balances</b>			
Nonspendable	10,947	561	11,508
Restricted	0	50,948	50,948
Unassigned (Deficit)	(2,329,820)	(177,432)	(2,507,252)
<i>Total Fund Deficit</i>	<u>(2,318,873)</u>	<u>(125,923)</u>	<u>(2,444,796)</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$2,852,867</u>	<u>\$140,499</u>	<u>\$2,993,366</u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2013*

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<b>Total Governmental Fund Deficit</b>	(\$2,444,796)
<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.	1,157,249
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	\$112,392
Income Taxes	<u>50,580</u>
Total	162,972
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>(230,754)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$1,355,329)</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$1,830,987	\$0	\$1,830,987
Income Taxes	987,260	0	987,260
Intergovernmental	2,516,482	342,332	2,858,814
Interest	464	0	464
Tuition and Fees	260,716	0	260,716
Extracurricular Activities	17,506	45,845	63,351
Contributions and Donations	150	4,938	5,088
Charges for Services	8,433	66,916	75,349
Rentals	20,300	0	20,300
Miscellaneous	23,735	0	23,735
<i>Total Revenues</i>	<u>5,666,033</u>	<u>460,031</u>	<u>6,126,064</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	1,974,576	56,669	2,031,245
Special	832,149	216,733	1,048,882
Vocational	9,258	447	9,705
Student Intervention	541,314	0	541,314
Support Services:			
Pupil	230,415	141	230,556
Instructional Staff	67,863	0	67,863
Board of Education	96,773	0	96,773
Administration	588,948	6,257	595,205
Fiscal	209,817	780	210,597
Business	1,314	0	1,314
Operation and Maintenance of Plant	564,546	4,581	569,127
Pupil Transportation	401,169	32	401,201
Central	55,570	22,887	78,457
Extracurricular Activities	80,056	39,108	119,164
Operation of Food Service	0	165,771	165,771
Operation of Non-Instructional Services	9,151	0	9,151
Capital Outlay	19	0	19
Debt Service:			
Interest and Fiscal Charges	0	5,419	5,419
<i>Total Expenditures</i>	<u>5,662,938</u>	<u>518,825</u>	<u>6,181,763</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,095</u>	<u>(58,794)</u>	<u>(55,699)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	45,324	45,324
Transfers Out	(37,348)	(7,976)	(45,324)
<i>Total Other Financing Sources (Uses)</i>	<u>(37,348)</u>	<u>37,348</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(34,253)	(21,446)	(55,699)
<i>Fund Deficit Beginning of Year</i>	<u>(2,284,620)</u>	<u>(104,477)</u>	<u>(2,389,097)</u>
<i>Fund Deficit End of Year</i>	<u>(\$2,318,873)</u>	<u>(\$125,923)</u>	<u>(\$2,444,796)</u>

See accompanying notes to the basic financial statements

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

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>(\$55,699)</b>
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*Amounts reported for governmental activities in the  
statement of activities are different because*

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

Capital Outlay	\$12,970
Current Year Depreciation	<u>(121,940)</u>

Total	(108,970)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	(4,525)
Income Taxes	(9,312)
Grants	<u>(23,672)</u>

Total	(37,509)
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

89,987

<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$112,191)</u></u>
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See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,860,721	\$1,901,779	\$1,901,779	\$0
Income Taxes	937,500	1,027,147	1,028,466	1,319
Intergovernmental	2,292,905	2,513,370	2,516,482	3,112
Interest	426	466	467	1
Tuition and Fees	216,974	237,722	238,027	305
Contributions and Donations	137	150	150	0
Rentals	18,505	20,274	20,300	26
Miscellaneous	1,228	137	252	115
<i>Total Revenues</i>	<u>5,328,396</u>	<u>5,701,045</u>	<u>5,705,923</u>	<u>4,878</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	1,717,188	1,870,077	1,919,160	(49,083)
Special	731,739	796,889	817,298	(20,409)
Vocational	22,395	24,388	25,013	(625)
Student Intervention	484,647	527,797	541,314	(13,517)
Support Services:				
Pupil	207,519	225,995	232,070	(6,075)
Instructional Staff	53,218	57,957	59,441	(1,484)
Board of Education	88,995	96,919	99,401	(2,482)
Administration	541,765	590,001	605,525	(15,524)
Fiscal	188,886	205,704	211,001	(5,297)
Operation and Maintenance of Plant	511,045	556,546	570,799	(14,253)
Pupil Transportation	360,270	392,347	407,395	(15,048)
Central	49,113	53,485	55,055	(1,570)
Extracurricular Activities	69,186	75,346	77,275	(1,929)
Capital Outlay	17	19	19	0
Debt Service:				
Principal Retirement	39,000	1,200,226	1,117,537	82,689
Interest and Fiscal Charges	4,811	4,811	4,811	0
<i>Total Expenditures</i>	<u>5,069,794</u>	<u>6,678,507</u>	<u>6,743,114</u>	<u>(64,607)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>258,602</u>	<u>(977,462)</u>	<u>(1,037,191)</u>	<u>(59,729)</u>
<b>Other Financing Sources</b>				
State Solvency Assistance Advance Proceeds	0	1,114,000	1,114,000	0
Advances In	0	10,677	10,677	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>1,124,677</u>	<u>1,124,677</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	258,602	147,215	87,486	(59,729)
<i>Fund Balance Beginning of Year</i>	236,179	236,179	236,179	0
Prior Year Encumbrances Appropriated	78,681	78,681	78,681	0
<i>Fund Balance End of Year</i>	<u>\$573,462</u>	<u>\$462,075</u>	<u>\$402,346</u>	<u>(\$59,729)</u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2013*

	Private Purpose Trust	Agency
	Frances Leighton	
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$57,153	\$32,947
<b>Liabilities</b>		
Due to Students	\$0	\$32,947
<b>Net Position</b>		
Held in Trust for Scholarships	\$57,153	

See accompanying notes to the basic financial statements



**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2013*

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	<u>Frances Leighton</u>
<b>Additions</b>	
Interest	\$6,500
<b>Deductions</b>	
Scholarships Awarded	<u>6,152</u>
<i>Change in Net Position</i>	348
<i>Net Position Beginning of Year</i>	<u>56,805</u>
<i>Net Position End of Year</i>	<u><u>\$57,153</u></u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2013*

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

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

The School District operates under a locally-elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as authorized by State and federal agencies. This Board of Education controls the School District’s two instructional/support facilities staffed by 22 classified employees, 35 certificated full-time and part-time teaching personnel and 4 administrators who provide services to 582 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 2013. See Note 21 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 19 to the basic financial statements.

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2013*

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

The financial statements of the Ledgemont Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2013*

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The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

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

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

**Fiduciary Funds** Fiduciary fund reporting focuses on net 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 and the Pell Grants.

**Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and 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 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

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2013*

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exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred 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, 2013, but which were levied to finance fiscal year 2014 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.

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2013*

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***Budgetary Data***

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

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

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

***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 2013 amounted to \$464 which includes \$78 assigned from other School District funds.

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

***Inventory***

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

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include unspent resources restricted for the acquisition or construction of capital assets. See Note 22 for additional information regarding set-asides.

**Ledgemont Local School District**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2013*

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***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.

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

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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.

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.



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

**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, food operations, 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 – Changes in Accounting Principles**

For 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62”.

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GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

**Note 4 – Fund Balances**

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

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Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>			
Inventory	\$679	\$561	\$1,240
Interfund Loan	10,268	0	10,268
<b><i>Total Nonspendable</i></b>	<b>10,947</b>	<b>561</b>	<b>11,508</b>
<b><i>Restricted for</i></b>			
Career Development	0	44	44
Athletics	0	41,020	41,020
Classroom Facilities Maintenance	0	5,625	5,625
Teacher Development	0	20	20
Technology Improvements	0	122	122
Regular Instruction	0	517	517
Capital Improvements	0	3,600	3,600
<b><i>Total Restricted</i></b>	<b>0</b>	<b>50,948</b>	<b>50,948</b>
<b><i>Unassigned (Deficit)</i></b>	<b>(2,329,820)</b>	<b>(177,432)</b>	<b>(2,507,252)</b>
<b><i>Total Fund Balances (Deficit)</i></b>	<b>(\$2,318,873)</b>	<b>(\$125,923)</b>	<b>(\$2,444,796)</b>

**Note 5 – Accountability and Compliance**

***Accountability***

At June 30, 2013, the following funds have deficit fund balances:

<b>General Fund</b>	\$2,318,873
<b>Special Revenue Funds:</b>	
Food Service	3,767
Race to the Top	7,134
Title VI-B	60,003
Reducing Class Size	1,895
<b>Capital Projects Fund:</b>	
Permanent Improvement	104,633

The general fund concluded fiscal year 2013 with a deficit fund balance of \$2,318,873. 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 21 for further information.

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

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***Compliance***

Contrary to Section 5705.41 (B) and (D), Ohio Revised Code, the general fund had expenditures plus encumbrances in excess of appropriations in the amount of \$64,607.

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

**Note 6 - Budgetary Basis of Accounting**

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

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Net Change in Fund Balance

GAAP Basis	(\$34,253)
Net Adjustment for Revenue Accruals	(32,221)
State Solvency Assistance Advance Proceeds	1,114,000
Net Adjustment for Expenditure Accruals	169,776
Principal Retirement	(1,117,537)
Advances In	10,677
Perspective Difference:	
Uniform School Supply	(2,109)
Public School Support	(13,531)
Adjustment for Encumbrances	(7,316)
Budget Basis	\$87,486

**Note 7 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided;
4. Bonds and other obligations of the State of Ohio;

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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Note 8 – Receivables**

Receivables at June 30, 2013, consisted of taxes and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

***Intergovernmental Receivables***

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Title VI-B Grant	\$22,952
Title I Grant	19,669
Race to the Top Grant	8,930
Reducing Class Size Grant	900
Total Intergovernmental Receivables	\$52,451

***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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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.

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Public utility property tax revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 become a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 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 2013 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, 2013 was \$163,945 in the general fund. The amount available as an advance at June 30, 2012, was \$234,737 in the general fund.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$99,301,270	97.32 %	\$99,048,010	97.08 %
Public Utility	2,738,350	2.68	2,979,510	2.92
	<u>\$102,039,620</u>	<u>100.00 %</u>	<u>\$102,027,520</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$51.20		\$51.20	

***Income Taxes***

In May of 2010, a 1.25 percent income tax levy was passed by the voters for general operations on the income of residents and of estates. The new tax was effective on January 1, 2011 and is a five year tax that will expire December 2015. The School District received a full year of income tax collections from this new levy 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.

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**Note 9 - Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees as directed under their contract. Accumulated unused vacation time is paid to classified employees upon termination of employment, with some restrictions. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. One-fourth of unused sick time is paid at retirement up to a maximum of 80 days. The number of unused sick days which can be accumulated is 320.

***Insurance***

Medical, surgical, vision and dental insurance is offered to employees through United Health Care Insurance Company. In order to receive a better premium rate, the School District has agreed to a plan for medical/surgical with a deductible of \$1,000 and \$2,000 for single and family coverage, respectively. Employees are responsible for a deductible of \$100 for single and \$200 for family coverage and the School District is responsible for the remaining amounts. The School District utilizes Vantage Financial Group, a third party administrator, to track the claims paid until the deductible has been reached. The premium for certified and classified employees is \$573 for single and \$1,576 for family per month.

Life insurance is offered to employees through One America of Indianapolis. Administrators, supervisors, certified, custodial and clerical employees receive \$50,000 for \$5.50 per month. All premiums are paid by the School District.

**Note 10 - 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, 2013, if applicable, cannot be determined at this time.

***Litigation***

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



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**Note 11 – Encumbrances**

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

General	\$7,316
Other Governmental Funds	<u>722</u>
<b>Total</b>	<b><u><u>\$8,038</u></u></b>

**Note 12 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$119,100	\$0	\$0	\$119,100
<i>Capital Assets, being depreciated:</i>				
Land Improvements	575,271	0	0	575,271
Buildings and Improvements	4,818,694	0	0	4,818,694
Furniture and Equipment	1,022,989	12,970	0	1,035,959
Vehicles	368,440	0	0	368,440
<i>Total Capital Assets, being depreciated</i>	<i>6,785,394</i>	<i>12,970</i>	<i>0</i>	<i>6,798,364</i>
Less Accumulated Depreciation:				
Land Improvements	(516,932)	(7,601)	0	(524,533)
Buildings and Improvements	(3,991,461)	(65,785)	0	(4,057,246)
Furniture and Equipment	(843,184)	(33,279)	0	(876,463)
Vehicles	(286,698)	(15,275)	0	(301,973)
<i>Total Accumulation Depreciation</i>	<i>(5,638,275)</i>	<i>(121,940)</i>	<i>0</i>	<i>(5,760,215)</i>
<i>Total Capital Assets being depreciated, Net</i>	<i>1,147,119</i>	<i>(108,970)</i>	<i>0</i>	<i>1,038,149</i>
<i>Governmental Activities Capital Assets, Net</i>	<i>\$1,266,219</i>	<i>(\$108,970)</i>	<i>\$0</i>	<i>\$1,157,249</i>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$67,151
Special	2,092
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	\$121,940

**Note 13 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2013, 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
Ohio Casualty	Ordinance or Law	1,000,000
	Automobile Liability	1,000,000
	Uninsured Motorist	250,000
	Umbrella (per occurrence)	4,000,000
	General Liability	
	Per Occurrence	1,000,000
Aggregate	2,000,000	

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

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

**Note 14 - Defined Benefit Pension Plans**

***School 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](http://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, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining .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, 2013, 2012 and 2011 were \$74,227, \$82,074, and \$74,500, respectively; 95.79 percent has been contributed for fiscal year 2013, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

***State Teachers Retirement System***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan,

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member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$230,562 and \$436 for the fiscal year ended June 30, 2013, \$260,446 and \$1,880 for the fiscal year ended June 30, 2012, and \$263,359 and \$992 for the fiscal year ended June 30, 2011. For fiscal year 2013, 82.31 percent has been contributed for the DB plan and 82.31 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 2013 were \$2,738 made by the School District and \$1,956 made by the plan members. In addition, member contributions of \$436 were made for fiscal year 2013 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, 2013, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 15 - Post Employment Benefits**

***School Employee Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans 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

**Ledgemont Local School District**  
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Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$35,800. During fiscal year 2013, the School District paid \$12,284 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, 2013, 2012 and 2011 were \$15,499, \$12,883 and \$18,181 respectively. For fiscal year 2013, 95.79 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$4,383, \$4,847 and \$4,794 respectively. For fiscal year 2013, 95.66 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$17,736, \$20,950 and \$21,052 respectively. For fiscal year 2013, 82.31 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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**Note 16 – Operating Leases**

During fiscal year 2009, the School District entered into a 60 month operating lease agreement for two office copiers with financing through Wells Fargo Financial. The agreement is for \$533 per month. This is a non-cancelable lease with automatic renewal at the end of the term. A notification of at least 60 days and not more than 120 days is required to terminate the leases. The payment for fiscal year 2014 is \$1,066.

**Note 17 – Fund Obligations**

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

	Outstanding June 30, 2012	Additions	Deletions	Outstanding June 30, 2013
<b>State Solvency Assistance Advances</b>				
2011	\$1,085,000	\$0	\$1,085,000	\$0
2012	1,677,000	0	0	1,677,000
2013	0	1,114,000	0	1,114,000
<i>Total State Solvency Assistance Advances</i>	2,762,000	1,114,000	1,085,000	2,791,000
2011 3.88%				
Tax Anticipation Notes	163,000	0	39,000	124,000
<b>Total Fund Obligations</b>	<b>\$2,925,000</b>	<b>\$1,114,000</b>	<b>\$1,124,000</b>	<b>\$2,915,000</b>

During fiscal year 2011, the School District received an interest free State solvency assistance advance in the amount of \$2,170,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds. In fiscal year 2013, the School District paid \$1,085,000 to retire the solvency assistance advance.

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

During fiscal year 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:

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	Principal	Interest	Total
2014	\$40,000	\$4,878	\$44,878
2015	41,000	3,304	44,304
2016	43,000	1,692	44,692
Total	\$124,000	\$9,874	\$133,874

**Note 18 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Balance 06/30/12	Additions	Reductions	Balance 06/30/13	Amount Due in One Year
Compensated Absences	\$320,741	\$34,169	\$124,156	\$230,754	\$17,108

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 \$9,182,477 with an unvoted debt margin of \$102,028 at June 30, 2013.

**Note 19 - Jointly Governed Organizations**

**Lake Geauga Computer Association** The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2013, the School District paid \$31,319 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

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carrying out such other responsibilities as designated by the Board. In fiscal year 2013, the School District paid \$2,250 to the Ohio Schools' Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

***Ashtabula Joint Vocational School*** The Ashtabula Joint Vocational School is a jointly governed organization among eleven school districts. The governing board consists of the superintendents of the member school districts. The students of each participating school district may attend classes offered at the vocational facility. Continued existence of the Ashtabula Joint Vocational School is not dependent on the School District's continued participation. Financial information can be obtained by writing the Ashtabula Joint Vocational School, 1565 State Route 167, Jefferson, Ohio 44047.

**Note 20 – Interfund Transfers and Balances**

***Interfund Transfers***

During fiscal year 2013, the School District transferred \$37,348 from the general fund to the permanent improvement capital projects fund. The School District also transferred \$7,976 from the bond retirement fund to the permanent improvement funds. Transfers were made for debt payments accounted for in other funds.

***Interfund Balances***

	Interfund Receivable
Interfund Payable	General
Race to the Top	\$16,025
Title VI-B	10,268
Title I	10,817
<i>Total All Funds</i>	\$37,110

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



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**Note 21 – 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 includes several expenditure reductions for fiscal years 2012, 2013 and 2014.

During fiscal year 2011, the School District received an interest free State solvency assistance advance in the amount of \$2,170,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds. In each fiscal year 2012 and 2013, the School District will pay \$1,085,000 to retire the solvency assistance advance.

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. There is not a repayment schedule to retire the solvency assistance advance at the time of this report.

The advances will be repaid over two and four years, respectively, from State foundation revenues. The repayment for the \$1,677,000 advance will begin 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 22 – 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.

**Ledgemont Local School District**  
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	<u>Capital Improvements</u>
Set Aside Balance as of June 30, 2012	\$164,522
Current Year Set-Aside Requirement	0
Qualifying Disbursements	<u>(695)</u>
Totals	<u>\$163,827</u>
Set-Aside Balance as of June 30, 2013 and Carried Forward to Future Fiscal Years	<u>\$163,827</u>

The School District, under Ohio Revised Code 3315.17 and 3315.18, elected to suspend contributions into the capital acquisitions for fiscal year 2013.

November 8, 2013

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ledgemont Local School District, Geauga County, Ohio (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 8, 2013, wherein we noted the School District is experiencing financial difficulties and was declared to be in fiscal emergency under criteria established by Ohio Rev. Code Section 3316.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item #2013-001 to be a material weakness.

Ledgemont Local School District  
Report on Internal Control over Financial Reporting and on Compliance and  
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Accordance with *Government Auditing Standards*  
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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item #2013-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items #2013-003 and #2013-004.

### **The School District's Response to Findings**

The School District management's response to the findings identified in our audit are described in the accompanying Schedule of Findings. The School District management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hea & Associates, Inc.*

Medina, Ohio

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2013**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING #2013-001**

**Material Weakness – Financial Reporting**

**Criteria:** The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 122 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 122 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

**Condition:** There were material audit adjustments made to the financial statements presented for audit.

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

Income tax receivable excluded the estimate for June 2013 collections received from the State in the second quarter of fiscal year 2014.

Accrued wages and benefits were improperly eliminated due to the education jobs grant ending rather than being reclassified to the general fund.

Payments made subsequent to the fiscal year end for services rendered or goods received prior to the fiscal year end were improperly excluded from accounts payable.

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

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2013**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING #2013-001 (Continued)  
Material Weakness – Financial Reporting**

**Effect:** The first condition described above resulted in an understatement of income tax receivable, deferred inflows on the modified accrual basis, and income taxes levied for general purposes on the full accrual basis in the amount \$50,580. The second condition describe above resulted in an understatement of General fund accrued wages and benefits and special instruction expense in the amount of \$21,396. The third condition described above resulted in the understatement of General fund accounts payable in the amount of \$30,388, special instruction expense in the amount of \$22,470, and operation and maintenance of plant in the amount of \$7,918. This condition also resulted in the understatement of Other Governmental funds accounts payable in the amount of \$6,161, support services-central expense in the amount of \$4,600, extracurricular expense in the amount of \$247, and support services-business in the amount of \$1,314.

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

**Management Response:** Procedures will be implemented to ensure proper financial reporting. Ledgemont Local School District will consult with third party accountants for accuracy.

**FINDING #2013-002  
Significant Deficiency – Capital Assets**

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

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

**Cause:** The School District had an inventory valuation performed for fiscal year 2009 by an independent third party appraiser. There were few additions or deletions in fiscal year 2013, so the School District did not feel it would be cost effective to have an inventory performed. Capital asset records were updated by the third party financial statement preparer for proper recording. However, the fiscal year 2009 capital asset listing has not been properly updated which resulted in immaterial variances in the calculation of depreciation expense.

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

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

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

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

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2013**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**FINDING #2013-003**

**Material Non-Compliance – Timely Deposits**

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

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

**Cause:** Deposits collected by individuals outside of the Treasurer’s office including food service, extracurricular, and class fees are not being deposited with the Treasurer or in a designated depository within one business day following the day of receipt.

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

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

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

**FINDING #2013-004**

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

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

**Condition:** We noted the following funds had expenditures plus encumbrances exceeding appropriations:

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

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2013**

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

**FINDING #2013-004 (Continued)  
Material Non-Compliance –  
Expenditures in Excess of Appropriations**

	Appropriations		Expenditures Plus Encumbrances	Excess
General Fund	\$ 6,678,507		\$ 6,743,114	\$ 64,607

**Cause:** The School District did not update the final appropriation measure to accurately reflect current year activity and did not properly limit expenditures by the Board of Education approved appropriations.

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

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

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



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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Noted Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Financial Reporting	No	Reissued as finding #2013-001
2012-002	Capital Assets	No	Reissued as finding #2013-002
2012-003	Timely Deposits	No	Reissued as finding #2013-003

November 8, 2013

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

### **Independent Accountant's Report on Applying Agreed-Upon Procedure**

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Ledgemont Local School District, Geauga County, Ohio (the School District) updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 14, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Rea & Associates, Inc.*

Medina, Ohio



# Dave Yost • Auditor of State

**LEDGEMONT LOCAL SCHOOL DISTRICT**

**GEAUGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 2, 2014**