LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY

FINAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
JUNE 30, 2015

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities**,** the major fund, and the aggregate remaining fund information of Ledgemont Local School District, Geauga County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Ledgemont Local School District, Geauga County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Dave Yost
Auditor of State
Columbus, Ohio

August 17, 2016

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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, 2015. 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 2015 include:

- In total, net position increased slightly, due to an increase in property taxes and operating grants and contributions revenue and a decrease in expenses, mainly regular instruction and administration expenses.

- Certified employees received step increases ranging from 0 percent to 4.56 percent at the beginning of the fiscal year as per their negotiated contracts. These increases were offset by the retirement and reduction of a few employees.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the School District's *net position* and any changes in that position. The change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of 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 11. 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 2015 compared to fiscal year 2014:

(Table 1)
Net Position - Governmental Activities

	2015	2014	Change
Assets			
Current and Other Assets	$2,894,134	$2,883,060	$11,074
Capital Assets, Net	1,054,510	1,128,901	(74,391)
Total Assets	3,948,644	4,011,961	(63,317)
Deferred Outflows of Resources			
Pension	328,459	297,834	30,625
Liabilities			
Current and Other Liabilities	3,005,427	3,149,027	143,600
Long-Term Liabilities:			
Due Within One Year	0	19,173	19,173
Due in More than One Year:			
Net Pension Liability	4,966,875	5,897,116	930,241
Other Amounts	176,187	209,286	33,099
Total Liabilities	8,148,489	9,274,602	1,126,113
Deferred Inflows of Resources			
Property Taxes	1,533,262	1,861,177	327,915
Pension	891,681	0	(891,681)
Total Deferred Inflows of Resources	2,424,943	1,861,177	(563,766)
Net Position			
Net Investment in Capital Assets	1,011,510	1,044,901	(33,391)
Restricted:			
Capital Projects	0	19,938	(19,938)
Other Purposes	160,078	44,238	115,840
Unrestricted (Deficit)	(7,467,917)	(7,935,061)	467,144
Total Net Position	($6,296,329)	($6,825,984)	$529,655

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from ($1,226,702) to ($6,825,984).

The small decrease in total assets was primarily due to a decrease in capital assets for fiscal year 2015 as a result of an additional year of depreciation.

The School District had a decrease in total liabilities, with the most significant in the net pension liability, as well as a smaller decrease in current liabilities, primarily accrued wages and benefits, intergovernmental payable, and accounts payable.

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 2015 and 2014.

(Table 2)
Changes in Net Position - Governmental Activities

	2015	2014	Change
Revenues			
Program Revenues			
Charges for Services and Sales	$414,414	$345,949	$68,465
Operating Grants and Contributions	548,445	436,276	112,169
Capital Grants	1,800	92,840	(91,040)
Total Program Revenues	964,659	875,065	89,594
General Revenues			
Property Taxes	2,186,388	1,970,220	216,168
Income Taxes	1,018,025	1,154,969	(136,944)
Grant and Entitlements not Restricted to Specific Programs	2,452,547	2,420,209	32,338
Investment Earnings	896	570	326
Miscellaneous	120,733	115,818	4,915
Total General Revenues	5,778,589	5,661,786	116,803
Total Revenues	6,743,248	6,536,851	206,397
Program Expenses			
Instruction:			
Regular	1,716,306	1,865,563	149,257
Special	945,551	840,964	(104,587)
Vocational	485	14,862	14,377
Student Intervention	1,054,612	997,217	(57,395)
Support Services:			
Pupil	263,821	149,029	(114,792)
Instructional Staff	33,900	4,505	(29,395)
Board of Education	81,145	121,486	40,341
Administration	530,262	635,879	105,617
Fiscal	289,638	326,641	37,003
Business	13,174	9,003	(4,171)
Operation and Maintenance of Plant	445,317	526,649	81,332
Pupil Transportation	552,958	574,496	21,538
Central	57,102	64,852	7,750
Extracurricular Activities	94,580	118,701	24,121
Operation of Non-Instructional Services	132,705	154,485	21,780
Interest and Fiscal Charges	2,037	3,892	1,855
Total Program Expenses	6,213,593	6,408,224	194,631
Change in Net Position	529,655	128,627	401,028
Net Position Beginning of Year	(6,825,984)	N/A	
Net Position End of Year	($6,296,329)	($6,825,984)	$529,655

Governmental Activities

The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of $297,834 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the fiscal year 2015 statements report pension expense of $212,794. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$6,213,593
Pension expense under GASB 68	(212,794)
2015 contractually required contribution	281,979
Adjusted 2015 program expenses	6,282,778
Total 2014 program expenses under GASB 27	6,408,224
Decrease in program expenses not related to pension	($125,446)

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

The School District relies heavily upon property taxes, income taxes and the State School Foundation Program to support its operations. The School District experienced increases in property taxes due to increases in assessed property values. The School District experienced increases in operating grants and contributions due to increased State and Federal grant funding. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

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 2015 compared to fiscal year 2014.

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

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$3,716,954	$2,921,644	$3,718,606	$3,071,622
Support Services:				
Pupil and Instructional Staff	297,721	297,721	153,534	153,534
Board of Education, Administration, Fiscal and Business	914,219	914,219	1,093,009	1,093,009
Operation and Maintenance of Plant	445,317	445,317	526,649	526,649
Pupil Transportation	552,958	552,958	574,496	574,496
Central	57,102	55,302	64,852	44,361
Extracurricular Activities	94,580	42,968	118,701	38,318
Operation of Non-Instructional Services	132,705	16,768	154,485	27,278
Interest and Fiscal Charges	2,037	2,037	3,892	3,892
Total Expenses	$6,213,593	$5,248,934	$6,408,224	$5,533,159

The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 37.84 percent and grants and entitlements account for 42.44 percent of total general revenues in fiscal year 2015. All governmental activities general revenue support is 85.69 percent of total governmental revenues.

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $6,791,459 and expenditures of $6,260,659 excluding other financing sources and uses. The general fund had an increase in fund balance due mainly to increases in property taxes and tuition and fees, partly offset by a decrease in income taxes. The general fund also had a decrease in expenditures, mainly due to decreases in administration and operation and maintenance of plant expenditures. The general fund's increases in revenues and decreases in expenditures for fiscal year 2015 resulted in a surplus that decreased the general fund deficit.

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 2015, the School District amended its general fund budget 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 income taxes and intergovernmental revenues. Final budgeted expenditures were higher than the original due to increases in expenditures for instruction, administration, and pupil transportation. Expenditures were less than final appropriations.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2015 balances compared to fiscal year 2014. More detailed information is presented in Note 10 of the notes to the basic financial statements.

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

	Governmental Activities		
	2015	2014	Change
Land	$119,100	$119,100	$0
Land Improvements	35,536	43,137	(7,601)
Buildings and Improvements	629,878	695,663	(65,785)
Furniture and Equipment	234,079	219,809	14,270
Vehicles	35,917	51,192	(15,275)
Totals	$1,054,510	$1,128,901	($74,391)

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

Debt

At June 30, 2015, the School District had no bonds outstanding. The School District's long-term obligations outstanding consist of compensated absences payable of $176,187 and $228,459 and a net pension liability of $4,966,875 and $5,897,116 for fiscal years 2015 and 2014, respectively. More detailed information is presented in Note 15 of the notes to the basic financial statements.

Challenges and Opportunities for the Future

On November 9, 2010, the School District was declared by the Auditor of State to be in a state of "fiscal emergency" based on an anticipated deficit for fiscal year end 2011. A five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. With the assistance of the Financial Planning and Supervision Commission, the School District was able to put in place a recovery plan on February 28, 2011. This plan was revised in April 2014 and accepted by the Commission at that time.

Many factors have contributed to the School District's financial condition. The School District's income tax levy expired at the end of calendar year 2008 causing a significant decline in income tax revenue. The Board of Education placed a levy on the ballot in both May and November of 2009 to replace the levy but was declined by votes on both occasions. The Board of Education returned to the voters in May of 2010 and placed a five year, 1.25 percent income tax levy on the ballot which was approved by voters. The new levy became effective on January 1, 2011, and was estimated to generate $1,000,000 annually by fiscal year 2013. Even with the passing of the income tax levy, the financial future of the School District continued to face challenges. These challenges stemmed from issues at the local and the State level. The local challenges continued to exist, as the School District relied heavily on property taxes to partly fund its operations. State level challenges continued to evolve with the unpredictable future of State funding.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beth McCaffrey, Treasurer at Berkshire Local School District, 14259 Claridon-Troy Road, Burton, OH 44021, or beth.mccaffrey@berkshireschools.org.

Ledgemont Local School District

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$457,912
Intergovernmental Receivable	8,450
Inventory Held for Resale	2,787
Materials and Supplies Inventory	705
Property Taxes Receivable	2,060,274
Income Taxes Receivable	364,006
Nondepreciable Capital Assets	119,100
Depreciable Capital Assets	935,410
Total Assets	3,948,644
Deferred Outflows of Resources	
Pension	328,459
Liabilities	
Intergovernmental Payable	31,222
Accrued Interest Payable	705
Notes Payable	2,973,500
Long-Term Liabilities:	
Due in More Than One Year:	
Net Pension Liability (See Note 19)	4,966,875
Other Amounts	176,187
Total Liabilities	8,148,489
Deferred Inflows of Resources	
Property Taxes	1,533,262
Pension	891,681
Total Deferred Inflows of Resources	2,424,943
Net Position	
Net Investment in Capital Assets	1,011,510
Restricted	160,078
Unrestricted (Deficit)	(7,467,917)
Total Net Position	($6,296,329)

See accompanying notes to the basic financial statements

Ledgemont Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants	Governmental Activities
Governmental Activities					
Instruction:					
Regular	$1,716,306	$309,720	$210,149	$0	($1,196,437)
Special	945,551	0	273,192	0	(672,359)
Vocational	485	0	2,249	0	1,764
Student Intervention	1,054,612	0	0	0	(1,054,612)
Support Services:					
Pupil	263,821	0	0	0	(263,821)
Instructional Staff	33,900	0	0	0	(33,900)
Board of Education	81,145	0	0	0	(81,145)
Administration	530,262	0	0	0	(530,262)
Fiscal	289,638	0	0	0	(289,638)
Business	13,174	0	0	0	(13,174)
Operation and Maintenance of Plant	445,317	0	0	0	(445,317)
Pupil Transportation	552,958	0	0	0	(552,958)
Central	57,102	0	0	1,800	(55,302)
Extracurricular Activities	94,580	48,798	2,814	0	(42,968)
Operation of Non-Instructional Services	132,705	55,896	60,041	0	(16,768)
Interest and Fiscal Charges	2,037	0	0	0	(2,037)
Total Governmental Activities	$6,213,593	$414,414	$548,445	$1,800	(5,248,934)

General Revenues	
Property Taxes Levied for General Purposes	2,186,388
Income Taxes Levied for General Purposes	1,018,025
Grants and Entitlements not Restricted to Specific Programs	2,452,547
Investment Earnings	896
Miscellaneous	120,733
Total General Revenues	5,778,589
Change in Net Position	529,655
Net Position Beginning of Year – Restated (See Note 3)	(6,825,984)
Net Position End of Year	($6,296,329)

See accompanying notes to the basic financial statements

Ledgemont Local School District

Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	$285,890	$36,093	$321,983
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	135,929	0	135,929
Intergovernmental Receivable	0	8,450	8,450
Interfund Receivable	10,268	0	10,268
Inventory Held for Resale	0	2,787	2,787
Materials and Supplies Inventory	118	587	705
Property Taxes Receivable	2,060,274	0	2,060,274
Income Taxes Receivable	364,006	0	364,006
Total Assets	$2,856,485	$47,917	$2,904,402
Liabilities			
Interfund Payable	$0	$10,268	$10,268
Intergovernmental Payable	21,813	9,409	31,222
Accrued Interest Payable	0	705	705
Notes Payable	2,930,500	43,000	2,973,500
Total Liabilities	2,952,313	63,382	3,015,695
Deferred Inflows of Resources			
Property Taxes	1,533,262	0	1,533,262
Unavailable Revenue	109,712	0	109,712
Total Deferred Inflows of Resources	1,642,974	0	1,642,974
Fund Balances			
Nonspendable	10,386	587	10,973
Restricted	0	31,887	31,887
Committed	0	7,077	7,077
Assigned	44,286	0	44,286
Unassigned (Deficit)	(1,793,474)	(55,016)	(1,848,490)
Total Fund Deficit	(1,738,802)	(15,465)	(1,754,267)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$2,856,485	$47,917	$2,904,402

See accompanying notes to the basic financial statements

Ledgemont Local School District

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Deficit		($1,754,267)
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,054,510
Other long-term assets, such as delinquent property taxes, are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		109,712
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.		(176,187)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	$328,459	
Deferred Inflows - Pension	(891,681)	
Net Pension Liability	(4,966,875)	
Total		(5,530,097)
Net Position of Governmental Activities		($6,296,329)

See accompanying notes to the basic financial statements

Ledgemont Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	$2,173,303	$0	$2,173,303
Income Taxes	1,079,321	0	1,079,321
Intergovernmental	2,577,897	420,849	2,998,746
Interest	882	14	896
Tuition and Fees	290,949	0	290,949
Extracurricular Activities	18,418	48,698	67,116
Contributions and Donations	1,232	2,814	4,046
Charges for Services	353	55,896	56,249
Rentals	100	0	100
Miscellaneous	115,048	5,685	120,733
Total Revenues	6,257,503	533,956	6,791,459
Expenditures			
Current:			
Instruction:			
Regular	1,572,717	139,290	1,712,007
Special	830,681	130,913	961,594
Vocational	0	485	485
Student Intervention	1,054,612	0	1,054,612
Support Services:			
Pupil	269,512	0	269,512
Instructional Staff	29,726	5,225	34,951
Board of Education	81,145	0	81,145
Administration	513,030	25,106	538,136
Fiscal	298,659	355	299,014
Business	12,942	232	13,174
Operation and Maintenance of Plant	418,918	29,464	448,382
Pupil Transportation	516,681	5,983	522,664
Central	55,538	1,800	57,338
Extracurricular Activities	14,149	80,849	94,998
Operation of Non-Instructional Services	0	125,576	125,576
Capital Outlay	1,210	43,824	45,034
Debt Service:			
Interest and Fiscal Charges	0	2,037	2,037
Total Expenditures	5,669,520	591,139	6,260,659
Excess of Revenues Over (Under) Expenditures	587,983	(57,183)	530,800
Other Financing Sources (Uses)			
Transfers In	0	78,567	78,567
Transfers Out	(78,567)	0	(78,567)
Total Other Financing Sources (Uses)	(78,567)	78,567	0
Net Change in Fund Balances	509,416	21,384	530,800
Fund Deficit Beginning of Year	(2,248,218)	(36,849)	(2,285,067)
Fund Deficit End of Year	($1,738,802)	($15,465)	($1,754,267)

See accompanying notes to the basic financial statements

Ledgemont Local School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds		$530,800
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:		
Capital Asset Additions	$61,177	
Current Year Depreciation	(135,568)	
Total		(74,391)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	13,085	
Income Taxes	(61,296)	
Total		(48,211)
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.		52,272
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.		281,979
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(212,794)
Change in Net Position of Governmental Activities		$529,655

See accompanying notes to the basic financial statements

Ledgemont Local School District

Statement of Revenues, Expenditures and Changes

in Fund Balance - Budget (Non-GAAP Basis) and Actual

General Fund

For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$1,967,903	$1,967,903	$1,967,903	$0
Income Taxes	739,737	1,104,440	1,135,595	31,155
Intergovernmental	1,707,349	2,549,101	2,621,006	71,905
Interest	574	858	882	24
Tuition and Fees	189,527	282,967	290,949	7,982
Contributions and Donations	16	24	25	1
Rentals	65	97	100	3
Miscellaneous	82,394	112,477	115,048	2,571
Total Revenues	4,687,565	6,017,867	6,131,508	113,641
Expenditures				
Current:				
Instruction:				
Regular	1,596,176	2,000,292	1,919,004	81,288
Special	790,970	991,227	948,119	43,108
Student Intervention	880,967	1,104,009	1,054,612	49,397
Support Services:				
Pupil	259,495	325,193	314,042	11,151
Instructional Staff	25,060	31,405	30,000	1,405
Board of Education	83,871	105,105	100,402	4,703
Administration	461,392	578,206	553,885	24,321
Fiscal	256,703	321,695	308,451	13,244
Business	10,810	13,547	12,942	605
Operation and Maintenance of Plant	368,019	461,193	460,145	1,048
Pupil Transportation	460,902	577,592	551,748	25,844
Central	47,379	59,375	56,718	2,657
Extracurricular Activities	12,652	15,855	15,146	709
Capital Outlay	16	20	19	1
Debt Service:				
Principal Retirement	460,250	460,250	460,250	0
Interest and Fiscal Charges	3,259	3,259	3,259	0
Total Expenditures	5,717,921	7,048,223	6,788,742	259,481
Excess of Revenues Under Expenditures	(1,030,356)	(1,030,356)	(657,234)	373,122
Other Financing Sources (Uses)				
State Solvency Assistance Advance Proceeds	978,000	978,000	978,000	0
Advances In	3,180	3,180	3,180	0
Transfers Out	(34,308)	(34,308)	(34,308)	0
Total Other Financing Sources (Uses)	946,872	946,872	946,872	0
Net Change in Fund Balance	(83,484)	(83,484)	289,638	373,122
Fund Deficit Beginning of Year	(102,982)	(102,982)	(102,982)	0
Prior Year Encumbrances Appropriated	186,466	186,466	186,466	0
Fund Balance End of Year	$0	$0	$373,122	$373,122

See accompanying notes to the basic financial statements

Ledgemont Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2015

	Private Purpose Trust	
	Frances Leighton	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$44,075	$16,620
Liabilities		
Undistributed Monies	0	$3,041
Due to Students	0	13,579
Total Liabilities	0	$16,620
Net Position		
Held in Trust for Scholarships	$44,075	

See accompanying notes to the basic financial statements

Ledgemont Local School District

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Frances Leighton
Additions	
Contributions and Donations	$4,581
Deductions	
Scholarships Awarded	18,708
Change in Net Position	(14,127)
Net Position Beginning of Year	58,202
Net Position End of Year	$44,075

See accompanying notes to the basic financial statements

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 14 classified employees, 28 certificated full-time and part-time teaching personnel and 3 administrators who provide services to 503 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 composed of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of Budget and Management, an appointee of the Governor, and an appointee of the Geauga County Auditor. Once the plan is adopted, the Board of Education's discretion is limited in all financial activity of the School District must be in accordance with the plan.

The initial Financial Recovery Plan was adopted on February 28, 2011. Under State law, the School District must annually update its financial recovery plan. The recovery plan includes personnel reductions during fiscal year 2014. See Note 21 for more information on the School District's fiscal emergency status.

Reporting Entity

A reporting entity is composed 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 16 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Ledgemont Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District’s own programs. The School District’s only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District’s agency funds account for student activities, Pell Grants and donations for library renovations.

Measurement Focus

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

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

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the 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, represent 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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 19.

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, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 19).

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

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

Budgetary Data

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

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

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

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 2015 amounted to $882 which includes $57 assigned from other School District funds.

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

Inventory

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments. Restricted assets in the general fund include unspent resources restricted for the acquisition or construction of capital assets. See Note 18 for additional information regarding set-asides.

Capital Assets

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

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:

Description	Estimated Lives
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.

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 and net pension liability 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Internal Activity

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

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These assigned balances are established 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. The Board of Education assigned fund balance for uniform school supply and for public school support.

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

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

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for athletic programs and Federal grant programs.

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

Estimates

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

Note 3 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	($1,226,702)
Adjustments:	
Net Pension Liability	(5,897,116)
Deferred Outflow - Payments Subsequent to Measurement Date	297,834
Restated Net Position June 30, 2014	($6,825,984)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources, because the information needed to generate these restatements was not available.

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:

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
Nonspendable			
Inventory	$118	$587	$705
Interfund Loan	10,268	0	10,268
Total Nonspendable	10,386	587	10,973
Restricted for			
Regular Instruction	0	20,220	20,220
Food Service Operations	0	9,180	9,180
Classroom Facilities Maintenance	0	2,458	2,458
Career Development	0	29	29
Total Restricted	0	31,887	31,887
Committed to			
Other Purposes	0	7,077	7,077
Assigned to			
Uniform School Supply	1,134	0	1,134
Public School Support	12,424	0	12,424
Purchases on Order:			
Instructional Services	5,248	0	5,248
Support Services	25,480	0	25,480
Total Assigned	44,286	0	44,286
Unassigned (Deficit)	(1,793,474)	(55,016)	(1,848,490)
Total Fund Deficits	($1,738,802)	($15,465)	($1,754,267)

Note 5 – Accountability

At June 30, 2015, the following funds have deficit fund balances:

General Fund	$1,738,802
Special Revenue Funds:	
District Managed Activities	646
Title VI-B	10,502
Title I	133
Reducing Class Size	29
Capital Projects Fund:	
Permanent Improvement	43,706

The general fund concluded fiscal year 2015 with a deficit fund balance of $1,738,802. 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 funds' deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

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

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. Loan proceeds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

3. Advances-In are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

4. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

5. Principal retirement expenditures for short-term debt are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

6. Budgetary revenues and expenditures of the uniform school supplies and public school support funds are classified to general fund for GAAP reporting.

7. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

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

Net Change in Fund Balance	
GAAP Basis	$509,416
Net Adjustment for Revenue Accruals	(106,017)
State Solvency Assistance Advance Proceeds	978,000
Advance In	3,180
Net Adjustment for Expenditure Accruals	(638,912)
Principal Retirement	(419,250)
Perspective Differences:	
Uniform School Supply	(1,134)
Public School Support	(506)
Adjustment for Encumbrances	(35,139)
Budget Basis	$289,638

Note 7 – Deposits and Investments

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, $243,828 of the School District's bank balance of $597,855 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Note 8 – Receivables

Receivables at June 30, 2015, 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

The only intergovernmental receivable was a food service subsidy in the amount of $8,450.

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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 become a lien December 31, 2013, were levied after April 1, 2014, and are collected in 2015 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, 2015, are available to finance fiscal year 2015 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, 2015, 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 2015 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, 2015, was $417,300 in the general fund. The amount available as an advance at June 30, 2014, was $211,900 in the general fund.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$99,283,850	96.82 %	$102,672,000	96.66 %
Public Utility	3,265,090	3.18	3,543,670	3.34
	$102,548,940	100.00 %	$106,215,670	100.00 %
Tax rate per $1,000 of assessed valuation	$51.20		$51.20	

Income Taxes

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

Note 9 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are 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 Medical Mutual. The premium for certified and classified employees is $531.86 for single and $1,356.08 for family per month.

Life insurance is offered to employees through Ohio Schools Council. Administrators, supervisors, certified, custodial and clerical employees receive $50,000 for $5.25 per month. All premiums are paid by the School District.

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$119,100	$0	$0	$119,100
Capital Assets, being depreciated:				
Land Improvements	575,271	0	0	575,271
Buildings and Improvements	4,818,694	0	0	4,818,694
Furniture and Equipment	1,135,159	61,177	0	1,196,336
Vehicles	368,440	0	0	368,440
Total Capital Assets, being depreciated	6,897,564	61,177	0	6,958,741
Less Accumulated Depreciation:				
Land Improvements	(532,134)	(7,601)	0	(539,735)
Buildings and Improvements	(4,123,031)	(65,785)	0	(4,188,816)
Furniture and Equipment	(915,350)	(46,907)	0	(962,257)
Vehicles	(317,248)	(15,275)	0	(332,523)
Total Accumulation Depreciation	(5,887,763)	(135,568)	0	(6,023,331)
Total Capital Assets being depreciated, Net	1,009,801	(74,391)	0	935,410
Governmental Activities Capital Assets, Net	$1,128,901	($74,391)	$0	$1,054,510

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$80,406
Special	2,465
Support Services:	
Pupil	26
Administration	820
Fiscal	266
Operation and Maintenance of Plant	10,926
Pupil Transportation	30,294
Extracurricular Activities	8,343
Food Service Operations	2,022
Total Depreciation Expense	$135,568

Note 11 – 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, 2015, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

Litigation

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

Note 12 – 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 2015, the School District contracted with the Ohio School Plan for various types of insurance as follows:

Type of Coverage	Coverage
Property Coverage	$19,362,691
Crime Coverage	50,000
Automobile Liability	2,000,000
General Liability	
Per Occurrence	2,000,000
Aggregate	4,000,000
Employers' Liability - Stop Gap Coverage	2,000,000
Fiduciary Liability:	
Per Occurrence	2,000,000
Aggregate	4,000,000
Legal Liability:	
Per Occurrence	2,000,000
Aggregate	4,000,000

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

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

Note 13 – 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	$35,139
Other Governmental Funds	35,522
Total	$70,661

Note 14 – Fund Obligations

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

	Outstanding June 30, 2014	Additions	Deletions	Outstanding June 30, 2015
State Solvency Assistance Advances				
2012	$1,257,750	$0	$419,250	$838,500
2013	1,114,000	0	0	1,114,000
2015	0	978,000	0	978,000
Total State Solvency Assistance Advances	2,371,750	978,000	419,250	2,930,500
2011 3.88% Tax Anticipation Notes	84,000	0	41,000	43,000
Total Fund Obligations	$2,455,750	$978,000	$460,250	$2,973,500

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.

During fiscal year 2015, the School District received an interest free State solvency assistance advance in the amount of $978,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds.

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

	Principal	Interest	Total
2016	$43,000	$1,692	$44,692

Note 15 – Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Balance 06/30/14	Additions	Reductions	Balance 06/30/15	Amount Due in One Year
Net Pension Liability:					
SERS	$1,408,411	$0	$209,778	$1,198,633	$0
STRS	4,488,705	0	720,463	3,768,242	0
Total Net Pension Liability	5,897,116	0	930,241	4,966,875	0
Compensated Absences	228,459	1,631	53,903	176,187	0
Total Long-Term Obligations	$6,125,575	$1,631	$984,144	$5,143,062	$0

The School District pays obligations related to employee compensation from the fund benefiting from their service. 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 $9,559,410 with an unvoted debt margin of $106,216 at June 30, 2015.

Note 16 – Jointly Governed Organizations

Lake Geauga Computer Association The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2015, the School District paid $24,486 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 198 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2015, the School District paid $2,788 to the Ohio Schools' Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools' Council at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program. The Council provides 151 school districts and 11 DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates. Each month, the Council invoiced participants based on estimated payments which are compared to their actual usage for the year (July to June). Refund checks were issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. With the end of the program on December 31, 2008, the School District purchased its electricity from the local area utility, First Energy. In late October 2009, the School District joined a new Ohio School Council consortium electricity purchase program which provides for additional discounts above what the School District would receive otherwise.

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

Note 17 – Interfund Transfers and Balances

Interfund Transfers

During fiscal year 2015, the School District transferred $30,775 and $3,533 from the general fund to the food service and the district managed activities special revenue funds, respectively, to provide additional support for the lunchroom and extracurricular activities. The general fund also transferred $44,259 to the permanent improvement capital projects fund to cover debt payments.

Interfund Balances

Interfund receivables and payables are due to the timing of the receipt of grant monies received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received. The advance to the title VI-B special revenue fund in the amount of $10,268 is not expected to be repaid within one year.

Note 18 – Set-Asides

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

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

	Capital Improvements
Set Aside Balance as of June 30, 2014	$163,479
Current Year Set-Aside Requirement	0
Qualifying Disbursements	(27,550)
Totals	$135,929
Set-Aside Balance as of June 30, 2015 and Carried Forward to Future Fiscal Years	$135,929

The School District, under Ohio Revised Code 3315.17 and 3315.18, elected to suspend contributions into the capital acquisitions for fiscal year 2015.

Note 19 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $82,624 for fiscal year 2015. Of this amount $0 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with 5 years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent July 1, 2014, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $199,355 for fiscal year 2015. Of this amount $0 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$1,198,633	$3,768,242	$4,966,875
Proportion of the Net Pension Liability	0.023684%	0.01549221%	
Pension Expense	$67,723	$145,071	$212,794

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$10,202	$36,278	$46,480
School District contributions subsequent to the measurement date	82,624	199,355	281,979
Total Deferred Outflows of Resources	$92,826	$235,633	$328,459
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$194,542	$697,139	$891,681

$281,979 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	$46,059	$165,215	$211,274
2017	46,059	165,215	211,274
2018	46,059	165,215	211,274
2019	46,163	165,216	211,379
Total	$184,340	$660,861	$845,201

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent, net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$1,710,094	$1,198,633	$768,451

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 − Scale AA) for Males and Females. Males' ages are set back two years through age 89 and are not set back for age 90 and above. Females younger than age 80 are set back four years, set back one year from age 80 through 89, and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$5,394,649	$3,768,242	$2,392,849

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, 2015, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 20 – Post Employment Benefits

School Employees Retirement System

Health Care Plan Description – The School District contributes to the School Employees Retirement System (SERS) Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

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. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was $11,431.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were $16,571, $12,826, and $15,499, respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were $0, $15,984, and $17,736, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

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 again in April, 2014. The plan includes several expenditure reductions including the closing of the high school, outsourcing their technology department and busing and changing their health care benefits.

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

During fiscal year 2013, the School District received an interest free State solvency assistance advance in the amount of $1,114,000. The State solvency assistance advance was to be paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds. On June 19, 2013, the fiscal commission voted to extend the fiscal year 2013 advance from two years to four years. As of June 30, 2015, no payments have been deducted from the school foundation revenue and there is not a repayment schedule to retire the solvency assistance advance at the time of this report.

During fiscal year 2015, the School District received an interest free State solvency assistance advance in the amount of $978,000. 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. As of June 30, 2015, no payments have been deducted from the school foundation revenue and there is not a repayment schedule to retire the solvency assistance advance at the time of this report.

Note 22 – Subsequent Event

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

Ledgemont Local School District

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.023684%	0.023684%
School District's Proportionate Share of the Net Pension Liability	$1,198,633	$1,408,411
School District's Covered-Employee Payroll	$672,160	$566,618
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	178.33%	248.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Ledgemont Local School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.01549221%	0.01549221%
School District's Proportionate Share of the Net Pension Liability	$3,768,242	$4,488,705
School District's Covered-Employee Payroll	$1,574,407	$1,797,969
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	239.34%	249.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Ledgemont Local School District

Required Supplementary Information

Schedule of School District Contributions

School Employees Retirement System of Ohio

Last Ten Fiscal Years

	2015	2014	2013	2012
Contractually Required Contribution	$82,624	$93,161	$78,420	$86,921
Contributions in Relation to the Contractually Required Contribution	(82,624)	(93,161)	(78,420)	(86,921)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered-Employee Payroll	$626,886	$672,160	$566,618	$646,252
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
$79,297	$88,842	$68,329	$68,999	$74,483	$72,526
(79,297)	(88,842)	(68,329)	(68,999)	(74,483)	(72,526)
$0	$0	$0	$0	$0	$0
$630,821	$656,142	$694,400	$702,642	$697,406	$685,501
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Ledgemont Local School District

Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012
Contractually Required Contribution	$199,355	$204,673	$233,736	$263,473
Contributions in Relation to the Contractually Required Contribution	(199,355)	(204,673)	(233,736)	(263,473)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered-Employee Payroll	$1,423,964	$1,574,407	$1,797,969	$2,026,715
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
$264,827	$281,659	$291,784	$278,548	$267,446	$281,611
(264,827)	(281,659)	(291,784)	(278,548)	(267,446)	(281,611)
$0	$0	$0	$0	$0	$0
$2,037,131	$2,166,608	$2,244,492	$2,142,677	$2,057,277	$2,166,238
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ledgemont Local School District, Geauga County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 17, 2016, wherein we noted the District adopted GASB Statements 68 and 71. In addition we noted the District merged with Berkshire Local School District and all assets and liabilities, other than State solvency assistance advances, belong to Berkshire Local School District as of July 1, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2015-001 and 2015-002 to be significant deficiencies.

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Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

August 17, 2016

SCHEDULE OF FINDINGS
JUNE 30, 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

1. **Financial Accounting and Cash Reconciliation Procedures**

Finding Number	2015-001

SIGNIFICANT DEFICIENCY

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

- Reconciliations between the District's bank accounts and accounting records were not accurately and timely performed as evidenced by unadjusted variances at month end. Adjustments were not addressed in a timely manner, further complicating the reconciliation process with undetected errors from prior reconciliation efforts.

- Income tax receipts were incorrectly posted to the accounting ledgers as refunds were posted against gross receipts rather than a memo expenditure. This resulted in immaterial understatement of income tax receipts of $46,540.

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

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

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

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

2. **Capital Assets and Inventory**

Finding Number	2015-002

SIGNIFICANT DEFICIENCY

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

The District does not maintain an inventory / asset listing and did not maintain records for asset additions or deletions since the last third party appraisal report was produced in FY 2009. In addition, after the decision was made to merge with Berkshire Local School District after June 30, 2015, several asset and inventory items were scraped, sold, or donated with poor record keeping and controls over those disposals. The District again determined it was not cost effective to perform an annual inventory as additions and deletions of capital assets were deemed immaterial and their financial statement preparer had included significant additions when compiling their report.

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

Management should maintain an accurate and up to date capital asset / inventory listing and the Treasurer over the merged district should take care in evaluating these deficiencies when merging capital asset records.

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

LEDGEMONT LOCAL SCHOOL DISTRICT
GEAUGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2014-001	Significant Deficiency – Capital Assets and Inventory: District did not update capital asset records.	Not Corrected.	Finding repeated.
2014-002	Significant Deficiency – Financial Accounting and Cash Reconciliation Procedures/	Not Corrected.	Finding repeated.

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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
SEPTEMBER 1, 2016